

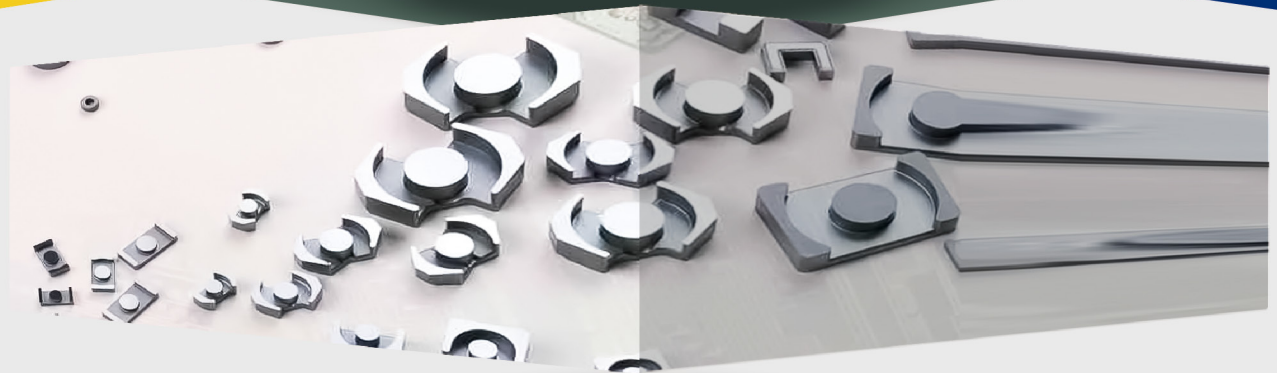
ACME

ESG Report

ACME Electronics Corporation 2022

ESG Report

20 - 22



ACME Electronics Corporation
越峯電子材料股份有限公司

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About the report

ABOUT

Editing description (GRI 2-2 · 2-5)

ACME Electronics Corporation (the "ACME") formally established its Corporate Social Responsibility Committee (renamed ESG Committee (the "ESG Committee") in 2015 with the support of USI Group and senior management and commenced publishing its corporate social responsibility reports. ACME continued to organize and promote various social responsibility policies and respond to the Sustainable Development Goals (the "SDGs") of the UN.

We have been publishing our corporate social responsibility reports since 2014. In 2020, the report was renamed ESG Report (the "ESG Report"). This report is our ninth report. We hope to respond to topics that stakeholders attach attention to via the continuous publication of our ESG Report, allowing stakeholders to understand the efforts we made for the sustainable operation of the Company.

Scope and boundary of the report (GRI 2-2 · 2-3 · 2-4)

The scope of the report is primarily ACME Electronics Corporation, including Taipei HQ and Taoyuan Plant. Chapter 3 and Chapter 4 cover ACME Electronics (Guangzhou) Corporation and ACME Electronics (Kunshan) Corporation. The consolidated financial performance in Chapter 2 covers all subsidiaries.

Considering the differences in different regions, the report has not integrated and included all information about all subsidiaries. In the future, the scope of the report will be expanded to subsidiaries based on the experience of promoting ESG to promote sustainable development strategies and implement corporate sustainability step by step.

The period of the information disclosed is from January 1, 2022 to December 31, 2022. The report shows the environmental, social, and corporate governance (ESG) management and performance of the Company. The financial information is consistent with the figures in the financial statements certified by CPAs; partial statistics are extracted from annual reports and public information of governmental agencies and relevant websites. The report information restatement and review are performed according to the requirements of GRI Standards (2021).

Structure and basis

The structure and the content of the report are established based on the Sustainability Reporting Standards issued by the Global Reporting Initiative (GRI) with reference to the standards of the "Sustainability Accounting Standards Board" (SASB), TCFD issued by the Financial Stability Board (FSB), Sustainable Development Goals (SDGs) issued by the UN, United Nations Global Compact, and Sustainable Development Best Practice Principles for TWSE/TPEX Listed Companies.

Internal review and external verification (GRI 2-3、2-5)

Three taskforces under the ESG Committee provided data related to their operations for the report. After the project secretary of the ESG Committee has compiled and edited the initial draft, committee members and members of taskforces are invited to proofread and make amendments based on their job scope. After the report is reviewed by the Predictive Maintenance & Environmental Risk Management Division of the Group, it is reviewed by the President and the Chairman in accordance with our internal procedures, finalized, and issued.

The report passed the verification performed by AFNOR Asia Ltd. in June 2023, a third-party verification institution, based on the AA1000 V3 guarantee standards and the Type 1 moderate guarantee level in appendices (2018), and a verification statement was obtained.

Publication time (GRI 2-3)

The Company regularly publishes its ESG Report on a yearly basis. This report is the ninth one published.

Previous publication time: July 2022

Current publication time: July 2023

Next publication time: June 2024 (estimated)

Download the report

In response to environmental protection, we promote paperless measures. You may download the electronic version of the report from the "Corporate Sustainability" section on our website.

Corporate website: <https://www.acme-ferrite.com.tw/>

Corporate Sustainability section: <https://www.usig.com/ACMECSR/Index.aspx>



Contact us

(GRI 2-3)

If you have any opinions or recommendations regarding the content of the report, please feel free to contact us via the following methods.

Contact person: Manager of project secretary of the ESG Committee, Sheng-Chuang Chang

Address: 8F, No. 39, Jihu Rd., Neihu Dist., Taipei City 114

Tel.: (886-2)2650-3337 ext. 3351

Fax: (886-2)2659-9511

ESG mailbox: csr-acme@usig.com

Message from the Chairman (GRI 2-22)

The effects of COVID-19 and the Ukraine-Russia War resulted in the energy crisis of Continental Europe and triggered a broken food chain and global inflation, and the threat of extreme climate on the globe has become a new norm. Facing such risks, USI Group continued to adopt active ESG actions by adhering to "create sustainable value and form sustainable society" to commit to the balance and implementation of sustainable development while seeking business performance.

Arrangements for active carbon dioxide reduction

USI Group established its green power taskforce in 2020 to actively plan for the corresponding measures for national net-zero policies, continue to install solar power devices and combine with local agricultural economy to grant more combination possibilities between green power and the industry. In 2022, a cumulative 5.9MW of solar power was connected to the grid; it is estimated to generate over 700 million kWh of green power, and it is estimated to complete the installation capacity of 15MW and 20MW in 2025 and 2027, respectively. In response to the Group's reduction target of 27% by 2030, the Company has mapped out the carbon dioxide reduction route up to 2030 to examine the achievement status each year by setting annual targets.

Reinforce human rights risk assessment

Regarding the promotion of the ESG Committee of the USI Group, an Independent Director takes the chair to convene meetings. The Committee monitors the achievements of ESG promotion biannually two times each year and improves the promoting strength through the in-depth participation of Directors in ESG affairs. In addition, USI Group attaches attention to the risks of human rights topics. We performed in-depth examinations on the risk status of human rights topics to ensure human rights are comprehensively protected.

Establish safe production environments

USI Group adopts high standards to require the safe production of its plants, continues to promote five zero targets for safe environments (zero pollution, zero emission, zero occupational disaster, zero accident, and zero malfunction), continues to promote PSM, and organizes plant technical exchange meetings and fire drills of plants with no advance notice to optimize the safe production environment so as to minimize damages by adopting excellent responses upon the occurrence of accidents.



Promoting ESG allows stabler corporate operations while making the overall environment and society better. USI Group includes ESG targets in its corporate operations step by step, sets various project targets, and achieves such targets via AI and systemization. On the way to sustainability, new concepts and new technologies shall be adopted, and the cooperation of all employees is required. We wish to make ourselves a good model first to spread our experiences in the future, allowing the co-prosperity of the overall industries, supply chains, and society.

As a part of USI Group, ACME has set three major sustainability principles based on the Group's prospect, including "business governance and value chain management," "resource recycling and environmental friendliness," and "happy workplace and social participation." It keeps pace with the Group and continues to commit to organizing and planning various ESG plans under relatively limited resources and human resources to allow all stakeholders to understand our efforts for corporate social responsibilities (CSR) and jointly enter the future of sustainable operations.

Chairman, ACME Electronics Corporation



Governance aspect

The operating revenue of SiCs was **174,903** thousand representing a growth of **273%** from 2021 and the product turned losses into gains

Ranked top **6%~20%** in the "Listed Company Corporate Governance Evaluation" for eight consecutive years



Environmental aspect

Reduced carbon emissions by **359** tCO₂e via various energy-saving and carbon dioxide reduction plans

99% waste recycling rate



Social aspect

100% target achievement rate regarding the average educational training hours of employees

Promoted the **6 sigma** green belt training project and **TRIZ** training project courses

Taoyuan Plant obtained the **ISO 45001** occupational safety and health management system certification



Sustainable operation of ACME

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1.1 Sustainability prospects and targets (GRI 2-22、2-23)

1.1.1 Sustainability prospects and strategy

ACME Electronics Corporation (stock code: 8121) was established primarily via the investment of USI Corporation (the "USI") on September 5, 1991. USI Group started from USI, established in 1965; it merged and acquired the controlling interest of Hua Shuo Group with UPC Technology Corporation in 1997 and managed to attain the position of a business conglomerate in the petrochemical and plastics industry in Taiwan. Through the effective integration of resources of the Group and the solid foundation laid in the petrochemical and plastics industry over the years, it successfully expanded its scope of business into electronics, materials, venture capital, and other investment fields.


USI Group adopts "create sustainable value and form sustainable society" as its sustainability prospect in the hope that its core abilities will continue to create and gather sustainable value and, in turn, contribute to social sustainability.

We adopted three major core strategies for the development of sustainability prospects, including "Innovative R&D", "stable operations", and "Social co-prosperity" in the hope of jointly creating values with stakeholders. We extended the content of our core strategies to develop seven crucial topics and worked with ethical and rational partners for joint development.

As a part of the Group, the Company will set three major sustainability principles based on the Group's prospect, including "business governance and value chain management", "resource recycling and environmental friendliness", and "happy workplace and social participation", connect them to material topics, examine and analyze the consistency between the results and sustainability principles each year, and examine and discuss the achievement of annual performance. The promotion of the Company's sustainability strategies for economic, environmental, and social aspects is planned as follows:



ACME sustainability strategies




Technology R&D	SDG 8
Product quality	SDG 9
Economic performance	SDG 8
Customer relation management	SDG 8
Supply chain management	SDG 17

Business governance and value chain management



Occupational health and safety	SDG 8
Talent cultivation and development	SDG 4
Talents attraction and retention	SDG 3




Happy workplace and social participation



Air pollution control	SDG 11
Climate change and energy management	SDG 7 SDG 13
Raw material management	SDG 12

Resource recycling and environmental friendliness

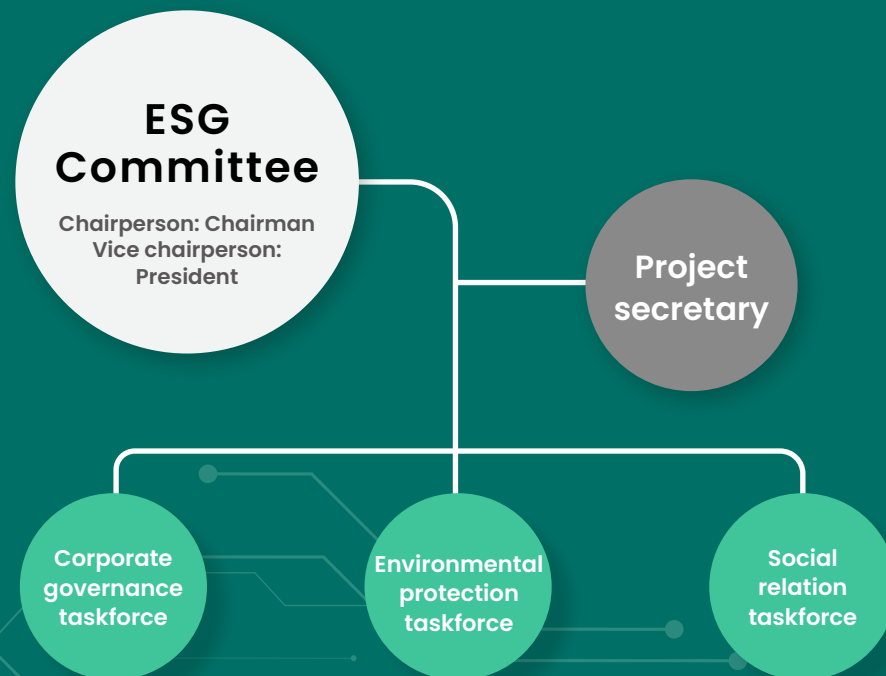
Sustainability strategies and short-term and mid-to-long-term plans

Aspect	Short-term plan (2023)		Mid-to-long-term plan (2025)
	Action plan	Target	
 <p>Governance aspect</p>	<p>Improve product competitiveness and business performance and maintain the continuous growth and sustainable corporate development of the Company via innovative R&D of products and market expansion.</p>	<ul style="list-style-type: none"> • Provide drivers for operating revenue and profit growth of the ferrite core business via market development, quality improvements, and cost reduction. • Continuous growth of operating revenue and profits of the new SiC business. 	<ul style="list-style-type: none"> • Continuous growth of ferrite core and SiC businesses and the increase in profits. • Continual development of new products.
 <p>Environmental aspect</p>	<ul style="list-style-type: none"> • Actively promote waste reduction, reuse, and recycling-related measures. • Comply with environmental protection regulations, commit to pollution prevention, and satisfy the environmental and quality requirements of customers. • Continue to implement energy-saving and carbon dioxide reduction improvement actions. 	<ul style="list-style-type: none"> • 99% waste recycling rate. • Zero violation of environmental protection laws. • Carbon dioxide reduction target of Taoyuan Plant, Kunshan Plant, and Guangzhou Plant: 1,918 tCO₂e. 	<ul style="list-style-type: none"> • Adopt TCFD methods to identify transformation risks and physical risks during the course of operation, examine the countermeasures each year, and establish a resilient climate change culture. • Taoyuan Plant will continue to save energy, reduce carbon dioxide, and increase the use of green power according to the target of "reduce carbon emissions by 27% by 2030 from 2017," established by USI Group at the beginning of 2022.
 <p>Social aspect</p>	<ul style="list-style-type: none"> • Extensively employ talents of virtue and ability to jointly achieve prosperity and adopt appropriate measures for human affairs to share the results. • Continue to reduce safety and health risks, prevent and reduce occupational disasters, and improve employees' health. 	<p>Employee satisfaction: Taiwan: 75%; Kunshan Plant: 80%; Guangzhou Plant: 84%</p> <p>Recruitment achievement rate: Taiwan: 100%; Kunshan Plant: 100%; Guangzhou Plant: 100%</p> <p>Average educational training hours of employees: Taiwan: 48 hours; Kunshan Plant: 48 hours; Guangzhou Plant: 48 hours</p> <p>Five zero targets: Zero disasters, zero accidents, zero injuries/ illnesses, and zero violations of laws.</p>	<ul style="list-style-type: none"> • Establish a scientific and comprehensive training system and a professional and complete technique inheritance system, satisfy the training requirements for different levels during the career planning stages of employees, and realize the common growth of the enterprise and employees. • Continue to adhere to zero disasters, zero accidents, zero injuries/ illnesses, and zero violations of laws as the highest target.

1.1.2 ESG Committee (GRI 2-14)

The Company established its ESG Committee in 2015 with the support of USI Group and senior management to continue to commit to promoting various sustainable development policies; in such practices, the Company realized ESG promotion and operations require internalization of the management system as a part of its daily operations to ensure the implementation of sustainable development policies and effectively improve the overall ESG efficacy.

The ESG development strategy of the Company is based on its business philosophy and corporate culture and the fulfillment of social responsibilities to stakeholders to allow customers and suppliers to establish trusted cooperating relationships with the Company due to the ethics and favorable corporate governance of the Company, to allow investors to engage in long-term investments due to the recognition with the Company's core values, and to allow employees to have cohesion due to the recognition with the Company and achieve the target of sustainable corporate operations and constant growth with internal and external assistance.



The ESG Committee is task-oriented. The Chairman is the chairperson, and the President is the vice chairperson. There are three subordinated taskforces, including the "corporate governance taskforce", "environmental protection taskforce", and "social relation taskforce", and the organizational structure is as shown in the figure.

The ESG Committee reports to the Board regarding the ESG implementation achievements each year. The Board supervises and reviews the management and performance in terms of economy, environment, and society and provides instructions for directions regarding material and crucial topics.

The project secretary is responsible for coordinating the overall sustainable development strategies and strategic development planning of the Company and tracking the progress of action plans of taskforces and performance improvements.

Members of three taskforces comprise supervisors of relevant departments or the appointed task groups; they are responsible for topic planning, internal/external data collection, target setting, and other discussions, and jointly preparing and publishing annual sustainability reports based on their job scope.

1.2 Value chain of ACME (RT-EE-000.A)

1.2.1 Introduction to ACME

Soft ferrite cores, products of the Company, are inductance passive components primarily used in communication, information, consumer, and automotive electronic products.

ACME Achieves Customers' Mission & Expectations by Always Committing to Manufacturing Excellence.

Amazing customers with quality service



Breakthrough, innovation and excellence



Coexistence and co-prosperity forever



Basic profile of the Company (GRI 2-1)

Corporate name	ACME Electronics Corporation	
Industry	Electronic parts and components	
Headquarters location	8F, No. 39, Jihu Rd., Neihu Dist., Taipei City 114	
Address of Taoyuan Plant	No. 2, Guojian 2nd Rd., Guanyin Industrial Park, Guanyin Dist., Taoyuan City 328	
Address of Guangzhou Plant	No. 1, Fuqian Rd., Zengjiang St., Zengcheng Dist., Guangzhou City, Guangdong Province, China	
Address of Kunshan Plant	No. 533, Huangpujiang N. Rd., Kunshan City, Jiangsu Province, China	
Address of Malaysia Plant	Plot 15, Jalan Industri 6 Kawasan Perindustrian Jelapang II(ZPB) Jelapang 30020 Ipoh, Perak, Malaysia.	
Capital	NT\$1.83 billion (as of December 31, 2022)	
Total number of employees	1,703 persons (as of December 31, 2022, including Taipei HQ, Taoyuan Plant, Kunshan Plant, Guangzhou Plant, and Malaysia Plant)	
Major Products	Mn-Zn soft ferrite powder Ni-Zn soft ferrite powder	Mn-Zn soft ferrite cores Ni-Zn soft ferrite cores High-purity SiC powders
Production capacity of Taoyuan Plant	Monthly production capacity of ferrite powder: 1,250 tons (as of December 31, 2022)	
Production capacity of Guangzhou Plant	Monthly production capacity of ferrite cores: 450 tons (as of December 31, 2022)	
Production capacity of Kunshan Plant	Monthly production capacity of ferrite cores: 700 tons (as of December 31, 2022)	
Production capacity of Malaysia Plant	Monthly production capacity of ferrite cores: 200 tons (as of December 31, 2022)	

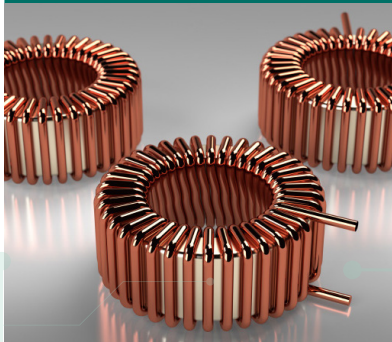


1.2.2 Our value chain (GRI 2-6)

Passive components are basic components in electronic circuits; they cannot operate themselves but rely on supplementing and linking to active components to operate. Passive components include resistors, capacitors, and inductors, which are necessary and material basic components of information, communication, consumer, and industrial electronic products and equipment. In terms of functions, resistors are used to adjust the voltage and current in the circuit, capacitors are mainly used for charge storage, AC filter or output, cutting or blocking DC, and tuning and oscillation, and inductors are mainly used for electromagnetic interference prevention, filtering noise in current, and power conversion; apart from the abovementioned functions, inductors may be used together with resistors and capacitors for filtering.

01 Upstream

- Materials of resistors (aluminum oxide ceramic substrate and conductive paste ink)
- Materials of capacitors (i.e., electro-etching/forming aluminum foils and interface porcelain powder)
- Materials of Inductors (i.e., ferrite and conductive paste ink)
- Materials of filters and oscillators (lithium tantalite/lithium niobate wafer/chip, quartz substrate, and metal and ceramic encapsulation materials)



02 Midstream

- Resistors
- Capacitors
- Inductors
- Filters and oscillators



03 Downstream

- Electronic products



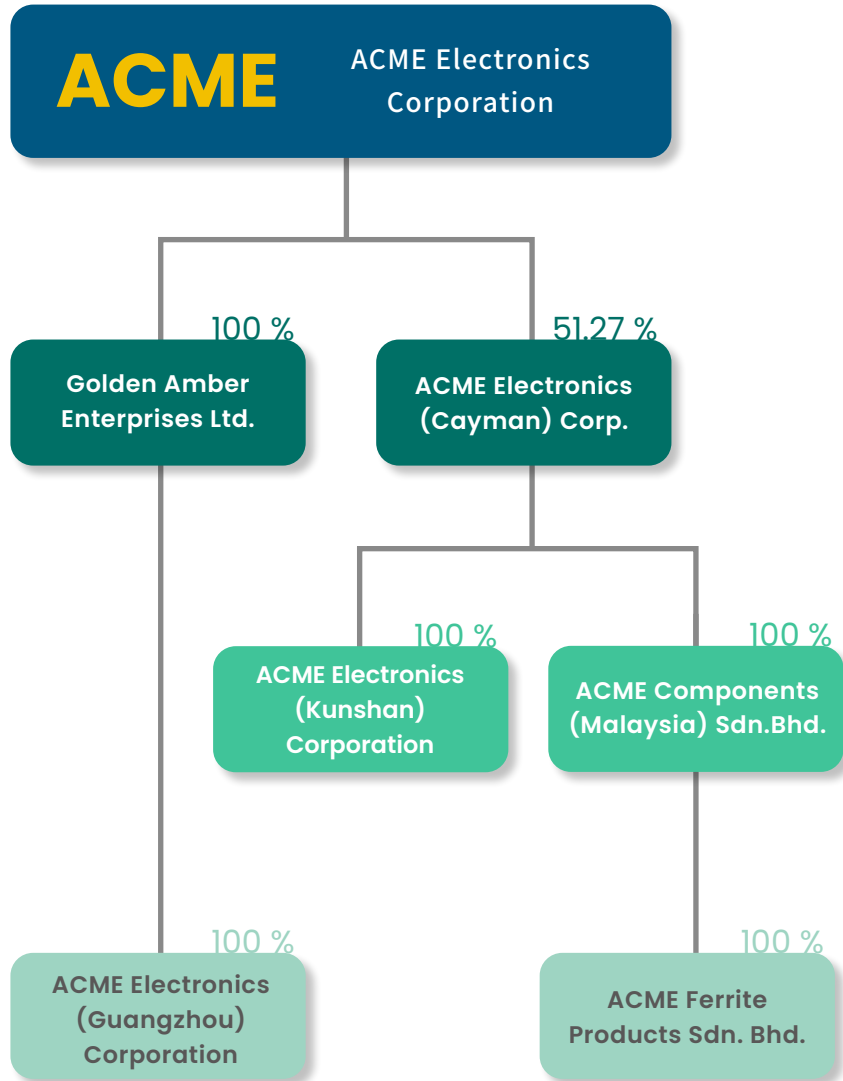
Mn-Zn and Ni-Zn soft ferrite cores produced by the Company are inductance materials in passive components and can be used as upstream materials for filters, chokes, ballast, SPSS, inverters, converters, inductors and telecoms. Our major customers are Delta Electronics, Lite-On, FSP Technology, AcBel Polytech, Sumida, Würth, their subsidiaries in Mainland China, and subcontractors. Such components may be further used in chargers, cloud servers, PCs, laptops, LCD displays, LED TVs, smartphones, automotive electronics, communication network equipment, and other common electronic products. As inductors can stabilize currents, remove noises, and inhibit electromagnetic radiation, they are extensively used in electronic information and consumer products.



Mn-Zn and Ni-Zn soft ferrite cores of ACME

1.2.3 Introduction to affiliates (GRI 2-2)

The consolidated financial statements of the Company in 2022 include the Company and subsidiaries controlled by the Company (equivalent to affiliates), a total of seven companies.



The production procedures of soft ferrite cores, products of the Company, are primarily divided into four processing stages, including powder-making forming, sintering, and grinding. Taoyuan Plant is primarily responsible for powder-making. After production, the powder is delivered to two plants in Mainland China for forming, sintering, and grinding. After processing, products are supplied to domestic sales customers in China and exported to Europe and America for sales. Malaysia Plant has four comprehensive procedures; the cores of the plant are primarily supplied to local customers in Malaysia and exported to European customers.

In general, the cooperation between affiliates is to reduce production costs, satisfy customers' requirements, and create maximum business performance through mutual support in terms of

technologies, production capacity, marketing, and services.

The entity of the report is primarily ACME Electronics Corporation. Chapters 3. Resource recycling and environmental friendliness and 4. Happy workplace and social participation cover ACME Electronics (Guangzhou) Corporation and ACME Electronics (Kunshan) Corporation. Therefore, this report does not include all information of all subsidiaries. In the future, the scope of the report will be expanded to subsidiaries based on the experience of promoting ESG to promote sustainable development strategies and implement corporate sustainability step by step.

1.3 Stakeholder engagement (GRI 2-29、2-26)

Gaining the trust and support of stakeholders is the driver for the sustainable development of the Company. The Company has identified five major categories of stakeholders in accordance with the five major principles of AA 1000 SES 2015 (Stakeholder Engagement Standards), strategic requirements, responsibilities, and other communication standards while taking into account the daily operations and external business communication of relevant departments: employees, customers, suppliers/contractors, shareholders/investors, and governmental agencies.

We learn the requirements and expectations of stakeholders by establishing transparent and effective multiway communication channels with stakeholders and obtaining opinions and feedback of stakeholders to serve as the material reference for formulating sustainable development policies and relevant plans. Meanwhile, we respond to stakeholders through the ESG Report to gain their trust and support. The communication channels and topics of concern between the Company and major stakeholder groups are set out in the following table:

Employees

Meaning to the Company	Employees are material assets of the Company; we improve their professional knowledge and skills by consolidating their cohesion for them to co-exist and co-prosper with the sustainable development of the Company
Topic of concern	<ul style="list-style-type: none"> • Talent development • Talents attraction and retention • Occupational health and safety • Economic performance
Communication channel and frequency	<ul style="list-style-type: none"> • All-hands meeting (hosted by the President) • Labor-management conference (once every three months) • EWC meeting (from time to time) • Meeting of Supervisory Committee of Labor Retirement Reserve (from time to time) • Recruitment via human resources websites and employment service stations (at all times) • Performance interview (once a year) • Employee satisfaction survey (once a year) • New employee interview (from time to time) • Educational training (from time to time) • Internal health lecture (from time to time) • Complaint mailbox, bulleting, meetings, e-mail, telephone, conference, and other communication channels (at all times) • Deliver corporate governance and business strategies via the USI Group service website, corporate website, and MOPS (at all times)
Response to topic of concern	<ul style="list-style-type: none"> • Create a workplace of work-life balance, facilitate the understanding of employees' requirements, provide appropriate welfare, reduce resignation rate, and increase stability. • Regularly organize health and safety lectures to improve employee communications. • Organize educational activities based on the training plan and requirements and make execution according to the talent development plan.
Outcomes of communication	In 2022, four labor-management conferences, one EWC meeting, one meeting of the Supervisory Committee of Labor Retirement Reserve, and one workplace behavior standards/requirements promotion were organized to carry out face-to-face communications with employees or representatives.

Shareholders/investors

Meaning to the Company	Shareholders/investors are important supporters of the sustainable development of the Company to allow sustainable corporate operations via capital investments and corporate governance supervision
Topic of concern	<ul style="list-style-type: none"> • Economic performance • Governance • Risk Management
Communication channel and frequency	<ul style="list-style-type: none"> • Announce financial information via MOPS and corporate website (publish according to the requirements) • Publish annual reports (once a year) • Publish financial statements (once every quarter) • Annual shareholders' meetings (once a year) • Our corporate website has an "investor services" section that provides contact information of the spokesperson and stock affairs-related information to handle shareholders' recommendations, suspicions, and inquiries (at all times)
Response to topic of concern	<ul style="list-style-type: none"> • Allow investors to understand the operating status of the Company and future development direction via shareholders' meetings and investor conferences • Publish quarterly financial statements and annual reports according to the requirements • Real-time disclosure of material information
Outcomes of communication	<ul style="list-style-type: none"> • Convened an annual shareholders' meeting on May 30, 2022 • Participated in the online investor conference organized by Capital Securities as invited on March 30, 2022 • Shareholder/investor phone inquiry

Customer

Meaning to the Company	Customers are material partners for the sustainable development of the Company, and we provide products and services for customers' satisfaction via technical cooperation and product development
Topic of concern	<ul style="list-style-type: none"> • Customer relation management • Technology R&D • Environmental policy • Product quality
Communication channel and frequency	<ul style="list-style-type: none"> • Customer satisfaction survey (once biannually) • Sales visits, phone calls, e-mails (at all times) • Participate in commercial exhibitions (from time to time) • Customer audits (from time to time) • Our website has "product exhibition" and "online services" sections (at all times)
Response to topic of concern	Communicate with customers via difference methods and continue to provide products and services of premium quality to customers
Outcomes of communication	<ul style="list-style-type: none"> • Customer satisfaction surveys are performed twice a year, and the score provided by customers is 90 or above, representing very satisfied • Participated in Electronica 2022 and relevant exhibitions • Apart from e-mail exchanges, we have video conferences with customers to keep close communication

Suppliers/contractors

Meaning to the Company	Suppliers are material partners for the product manufacturing of the Company, and they affect the satisfaction of customers' requirements and service provision
Topic of concern	<ul style="list-style-type: none"> • Economic performance • Supplier management • Mutual cooperation strategy • Industrial news
Communication channel and frequency	<ul style="list-style-type: none"> • Publish annual reports (once a year) • Supplier evaluation (once a year) • Visits, phone calls, e-mails (at all times)
Response to topic of concern	Deliver labor, human rights, health, safety, environmental, and ethical specifications for observation.
Outcomes of communication	In 2022, the annual supplier audit was expected to be performed for three suppliers; the audit was only completed for one supplier. Due to the effects of COVID-19, the procedure audit and system audit for one supplier were delayed to 2023. For another supplier, the visit is canceled as there have been no transactions temporarily

Governmental agencies

Meaning to the Company	Governmental agencies are material indicators for corporate development and market expansion, and legal compliance in response to governmental agencies is the basic concept and principle for the survival and development of enterprises
Topic of concern	<ul style="list-style-type: none"> • Compliance with regulations and policies • Air pollution control • Waste management • Human rights and labor-management relations • Occupational health and safety
Communication channel and frequency	<ul style="list-style-type: none"> • Official document exchanges (from time to time) • Participate in regulation-promoting sessions (from time to time) • Participate in lectures or seminars (from time to time) • On-site audits (from time to time) • Announce matters required on MOPS according to the requirements (publish according to the requirements) • Publish annual reports (once a year)
Response to topic of concern	<ul style="list-style-type: none"> • Keep abreast of and collect relevant amendments to regulations and policies made by governmental agencies • Execute on-site audits in cooperation with relevant governmental institutions
Outcomes of communication	• In 2022, we participated in 13 lectures or seminars organized by governmental agencies

1.4 Management of material topics

To allow the content of information disclosure to comply with stakeholders' expectations and requirements, the Company learns topics prioritized by stakeholders and have material effects on corporate operations via materiality analysis, and the results are used as the reference and basis for preparing the report, so as to effectively communicate with stakeholders.

1.4.1 Identification of material topics (GRI 3-1)

STEP 01

Compile ESG topics

The compilation of topics has external and internal sources. For external sources, we refer to international sustainability specifications and standards (GRI Standards, SASB, SDGs, and TCFD) and domestic and external industrial sustainable development trends. For internal sources, we adopt feedback and opinions of stakeholders via different communication channels as the basis.

Workforces compile 33 actual and potential positive/negative sustainability topics, including ten topics of actual negative impacts, nine topics of potential negative impacts, nine topics of actual positive impacts, and five topics of potential positive impacts.

STEP 02

Positive/negative impact survey of ESG topics

We performed a questionnaire survey regarding 33 ESG topics for stakeholders to rate the level of positive and negative impacts of topics. A total of 112 valid feedback was recovered, including 60 from employees, 20 from customers, 6 from shareholders/investors, 20 from suppliers/contractors, 1 from governmental agencies, 3 from financial institutions, and 2 from others.

STEP 03

Positive/negative impacts and probability survey of ESG topics

A questionnaire survey was performed regarding 33 ESG topics for supervisors of internal departments and Directors to rate the level of positive and negative impacts and the probability of topics. A total of 25 valid feedback was recovered, and statistical analysis was performed after the weight and proportion were adjusted based on the results of questionnaires received from the senior management.

STEP 04

Identification of material topics

We set a significance threshold (level of impact of 3.3 or above, and probability of 3 or above) for the results of the questionnaire, selected 17 ESG topics as "significant topics," classified significant topics based on environmental, social, and governance aspects, and summarized them into nine material topics.

In addition, to continue the material topic management and follow-up from 2021, workforces included [air pollution control] and [customer relation management] in the material topics of 2022, a total of 11 topics, and the results were submitted to the ESG Committee for approval and reported to Directors.

STEP 05

Management and disclosure

The management and implementation information related to 11 material topics of the Company will be adequately disclosed in the report to respond to topics of stakeholders' concern, and we will continue to examine our short-term, mid-term, and long-term sustainable development strategies to reinforce our management implementation.

Material topic identification results in 2022 (GRI 3-2)

Governance aspect			Environmental aspect			Social aspect					
Topic of impact		Material topic	Topic of impact		Material topic	Topic of impact		Material topic			
Actual negative	Price increase in raw materials and freight - increase in costs	Sustainable management of supply chain	Actual negative	Rising energy expenses - upward adjustment of power bills	Climate change and energy management	Actual positive	Talent cultivation and retention - reduce resignation rate	Talent cultivation and development			
Actual positive	Appropriate supply chain management - increase in quality		Actual negative	Insufficient power supply - production interruption		Potential positive	Become an enterprise with happy workplace - improve the recognition of employees with the Company	Talents attraction and retention			
Potential positive	Actively seek substitute raw materials and reduce the use of high-pollution raw materials		Potential negative	Carbon Fee imposition - increase in production costs		Actual positive	Create friendly workplace environments - reduce resignation rate and occupational disaster occurrence	Workplace safety and health			
Actual negative	Price increase in raw materials and freight - increase in costs	Raw material management	Actual positive	Invest in renewable energy - reduce carbon emissions and improve industrial competitiveness	Raw material management						
Actual positive	Appropriate supply chain management - increase in quality	Product quality	Potential positive	Invest in renewable energy - achieve green power targets							
Potential positive	Introduce AI and other advanced technologies - improve efficiency and quality		Potential positive	Actively seek substitute raw materials and reduce the use of high-pollution raw materials							
Actual positive	Stable growth in financial performance - improve the investment will of investors	Economic performance									
Actual positive	Introduce automated procedures and systems - improve production efficiency and reduce production costs										
Actual positive	Develop new products and product diversification - environmental-friendly materials and enter new industries	Innovative R&D									
Potential positive	Successful development of sustainable materials - increase operating revenue										

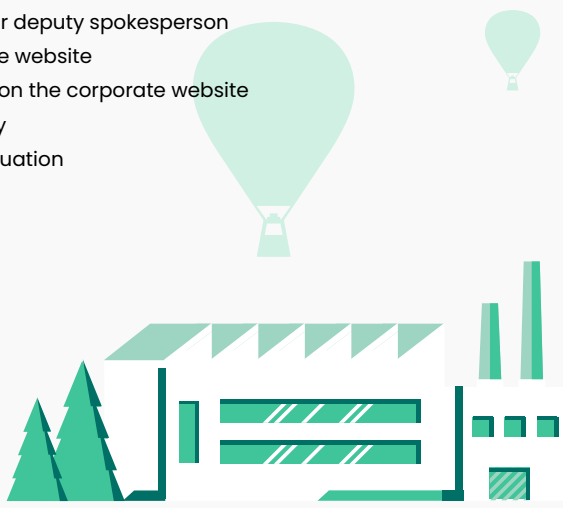
1.4.2 Boundary of effects of material topics (GRI 3-2)

● : Direct impact ○ : Indirect impact

Aspect	Material Topics	Reason of materiality	Corresponding to particular topics of GRI Standards	Value chain				Corresponding chapters
				Supply chain	Operation	Product	Social	
Governance aspect	Economic performance	To allow the sustainable development of the Company and protect stakeholders' interests, continual profits and growth are necessary.	GRI 201: Economic Performance 2016	○	●	●	○	2.1 Economic performance
	Innovative R&D	New product and business development and improvement in product quality can improve market competitiveness, and they are the priority for corporate growth and continual development.	Material topics set by the Company	○	●	●		2.3 Product and innovative R&D
	Product quality	Utilize efficient quality systems and systemized management to stable quality, reduce the defect rate, and improve customer satisfaction.	Material topics set by the Company	●	●	●		2.5 Customer services and product quality
	Customer relation management	Customers' requirements and expectations are the drivers for the Company's continual growth.	Material topics set by the Company	○	●	●		2.5 Customer services and product quality
	Sustainable management of supply chain	Suppliers are partners supplying material raw materials and equipment to the Company for production, and they affect production operations and product quality.	GRI 308: Supplier Environmental Assessment 2016 GRI 414: Supplier Social Assessment 2016	●	●	●		2.4 Supply chain management
Environmental aspect	Raw material management	The measures adopted to improve the production efficiency of raw materials and recycling and reuse of resources affect production costs.	GRI 301: Materials 2016 GRI 306 Waste 2020	○	●	●		3.1 Resources, materials, and recycling management
	Climate change and energy management	Extreme climate caused by climate change is a challenge faced by enterprises, and enterprises shall adopt measures to improve energy consumption efficiency and reduce GHG emissions.	GRI 302: Energy 2016 GRI 305: Emissions 2016	○	●		●	3.2 Climate change and energy management
	Air pollution control	The discharge of air pollutants impacts the requirements of environmental protection regulations and affects the air quality of our living environments, and it is currently a material topic worldwide.	GRI 305: Emissions 2016	○	●		●	3.3.1 Air pollution control and management
Social aspect	Talents attraction and retention	Premium human resources assets are key to the success of enterprises; meritocracy and appropriate staffing allow employees to work with ease, fully exhibit their expertise, and do their best at work.	GRI 401: Employment 2016		●	○	●	4.1 Talents attraction and retention
	Talent cultivation and development	Employees' professionalism, management skills, and overall competitiveness affect the career development of employees and are also the foundation of sustainable corporate operations.	GRI 404: Training and Education 2016		●	○	●	4.2 Talent cultivation and development
	Workplace safety and health	Healthy and safe working environments are the priority of workers' labor conditions.	GRI 403: Occupational Health and Safety 2018	○	●	○	●	4.3 Occupational safety and health

1.4.3 Management approach to material topics (GRI 3-2、GRI 3-3)

Aspect	Material Topics	Purpose of management	Management policy and target
Governance aspect	Economic performance	Seek stable growth and maintain sustainable corporate operations.	Short-term target: Reduce production costs and improve the sales of products with high profits. Long-term target: Explore new businesses and seek sustainable development.
	Innovative R&D	Constant and continuous technical advances and innovation are the core values of the Company, and they also provide momentum to maintain our competitive strength.	Short-term target: Jointly develop new materials and new products with customers to maintain our competitive strength. Long-term target: Explore new businesses and seek sustainable development.
	Product quality	Stabilize quality and reduce defect rate to improve customer satisfaction.	Meet six sigma criteria and continue to improve procedure capacity to achieve the highest customer satisfaction.
	Customer relation management	Reinforce product functions and improve services to improve the trust of customers in the Company's brand.	Regularly learn and respond to customers' requirements and opinions via meetings/questionnaires to provide premium customer services
	Sustainable management of supply chain	Establish long-term cooperating relations of mutual assistance, mutual trust, co-existence, and co-prosperity.	1. Prioritize local suppliers for procurements. 2. Implement conflict minerals due diligence of suppliers. 3. Perform regular "quality, delivery term, level of cooperation, and price" evaluations of suppliers.
Environmental aspect	Raw material management	Improve the production efficiency of raw materials and recycling and reuse to reduce operating costs and improve corporate competitiveness.	Actively promote measures related to waste reduction and recycling to improve resource efficacy.
	Climate change and energy management	Comply with the voluntary GHG reduction commitment, comply with regulations, and analyze the risks and opportunities of climate change to reduce the financial loss arising from production operations due to climate change.	Establish the ISO 50001 energy management system to improve energy consumption efficiency.
	Air pollution control	Comply with environmental protection regulations and improve air pollution of the environment.	Commit to pollution control and comply with environmental protection regulations.
Social aspect	Talents attraction and retention	Extensively employ talents of virtue and ability to jointly achieve prosperity and share the results.	Improve employee satisfaction, talent availability, and recruitment achievement rate. Reduce employee resignation rate.
	Talent cultivation and development	Adopt comprehensive training and evaluation systems to achieve the targets of appropriate staffing and using personal talents.	1. Build a scientific and comprehensive training system. 2. Build a comprehensive talent echelon system of high efficiency. 3. Establish a professional and comprehensive technique inheritance system.
	Workplace safety and health	Duly care for employees' health, improve safety and health, focus on work safety, and jointly commit to the highest targets of zero disaster, zero accident, and zero injury/sickness.	Achieve four zero targets: Zero disasters, zero accidents, zero injuries/illnesses, and zero violations of laws.

Aspect	Material Topics	Management policy validity evaluation system		Complaint system
Governance aspect	Economic performance	1. Growth rate of operating revenue 2. Gross margin	3. Growth rate of operating revenue of new businesses	 <ul style="list-style-type: none"> 1. Shareholders' meeting 2. Direct line of spokesperson or deputy spokesperson 3. "Contact us" on the corporate website 4. "E-mail of Audit Committee" on the corporate website 5. Customer satisfaction survey 6. Regular annual supplier evaluation
	Innovative R&D	Ratio of R&D expenses to operating revenue		
	Product quality	1. Number of established customer complaint cases 2. Finished good RoHS qualification rate 3. Zero incident related to environmental safety and health regulations	4. Number of 6 sigma certified cases 5. Number of procedure improvement cases	
	Customer relation management	Customer satisfaction		
	Sustainable management of supply chain	1. Use rate of qualified minerals	2. Crucial supply chain risk management	
Environmental aspect	Raw material management	Waste recycling rate		<ul style="list-style-type: none"> 1. Internal complaint handling methods: Propose a complaint related to environmental safety and health via "labor-Management conferences," "safe and health meetings," and other meetings. If any promotion or response is required, the responsible department shall perform an examination, and the results shall be announced for public acknowledgment after being approved by the highest supervisor of the plant. 2. External complaint handling method: An external department may propose a complaint related to environmental safety and health via telephone, orally, or in writing. After a department of the Taoyuan Plant accepts the complaint, transfer it to the responsible department to verify the content of the complaint. If the case is confirmed to be established, appropriate responses will be made.
	Climate change and energy management	Volume of carbon dioxide reduction		
	Air pollution control	Zero violation of law		
Social aspect	Talents attraction and retention	1. Employee satisfaction	2. Recruitment achievement rate	<ul style="list-style-type: none"> 1. All hands meetings 2. Labor-Management conferences 3. EWC meetings 4. Occupational Safety and Health Committee meetings 5. Employee complaints and opinion mailbox management 6. E-mail of Audit Committee
	Talent cultivation and development	Average educational training hours of employees		
	Workplace safety and health	Zero disasters, zero accidents, zero injuries/illnesses, and zero violations of laws		

1.5 UN SDGs (GRI 2-24)

As a part of the world, the Company considers that sustainable development shall start from the combination of core values and UN SDGs. We carried out SDG connectivity identification in three stages and set relevant targets that are included in our business plan.

SDGs identification procedures

01

- 01 Understanding SDGs and business development discussions**
 - Carry out SDGs educational training and have discussions of effects on the Company's operations
 - Consider the priority of SDGs
- 02 Identify effects and opportunities**
 - Link SDGs to material topics
 - Identify crucial opportunities and allocate resources
- 03 Targets and actions in response to SDGs**
 - Have discussions of the feasibility of the targets set
 - Establish short-term and mid-to-long-term plans and have discussions of their inclusion in the corporate business plan



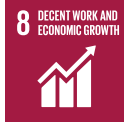
Material topic's connection with SDGs

02

Aspect	Material Topics	SDGs
Governance aspect	Economic performance	SDGs 8 Decent Work and Economic Growth
	Innovative R&D	SDGs 8 Decent Work and Economic Growth
	Product quality	SDGs 9 Industry, innovation and infrastructure
	Customer relation management	SDGs 8 Decent Work and Economic Growth
	Sustainable management of supply chain	SDGs 17 Partnerships for the Goals
Environmental aspect	Raw material management	SDGs 12 Responsible Consumption and Production
	Climate change and energy management	SDGs 7 Affordable and Clean Energy
	Air pollution control	SDGs 11 Sustainable cities and communities
Social aspect	Talents attraction and retention	SDGs 8 Decent Work and Economic Growth
	Talent cultivation and development	SDGs 4 Quality Education
	Workplace health and safety	SDGs 3 Good Health and Well-Being




Connection of SDGs with the Company's sustainable development targets

03

SDGs	Goals	Actual practices in 2022	Corresponding chapter
 <p>SDGs 3 Good Health and Well-Being</p>	Maintain the safe working environment of plants and employees' health.	<ol style="list-style-type: none"> In 2022, two cases of occupational diseases occurred at Kunshan Plant, and both cases were employees with posts of noises for the processing workshop; four zero targets of zero disasters, zero accidents, zero injuries/illnesses, and zero violations of laws were not achieved Taoyuan Plant introduced the ISO 45001 occupational safety and health management system in 2022 and obtained the verification on December 22. 	4.3 Occupational safety and health
 <p>SDGs 4 Quality Education</p>	Adopt comprehensive training and evaluation systems to achieve appropriate staffing.	<ol style="list-style-type: none"> Achieve the target of average educational training hours of employees 6 sigma green belt training project courses TRIZ training project courses 	4.2 Talent cultivation and development
 <p>SDGs 8 Decent Work and Economic Growth</p>	Expand operating scope, reduce costs, and continue to improve operating income and profits.	<ol style="list-style-type: none"> The operating status of our ferrite core business declined from 2021 due to the sluggish market demand, the rising price of raw materials, pandemic control, and other unfavorable factors. The operating revenue of SiCs was NT\$174,903 thousand, representing a growth of 273% from 2021, and the product turned losses into gains 	2.1 Economic performance 2.3 Product and innovative R&D 2.5 Customer services and product quality 4.1 Talents attraction and retention




Connection of SDGs with the Company's sustainable development targets

03

SDGs	Goals	Actual practices in 2022	Corresponding chapter
 <p>SDGs 9 Industry, innovation and infrastructure</p>	Perform constant and continuous technological advances and innovations to maintain our competitive strength.	<ol style="list-style-type: none"> Ratio of R&D expenses to operating revenue > 5% Customer satisfaction: 92 points 6 customer complaint cases Finished good RoHS qualification rate: 100% Zero incident related to environmental safety and health regulations: Not achieved Target number of 6 sigma project: 46 projects Number of procedure improvement cases: 6 cases 	2.3 Product and innovative R&D 2.5 Customer services and product quality
 <p>SDGs 11 Sustainable cities and communities</p>	Comply with environmental protection regulations, commit to pollution prevention, and satisfy the environmental and quality requirements of customers.	Guangzhou Plant has two violations; zero violation of laws was not achieved.	3.3 Air pollution control and management
 <p>SDGs 12 Responsible Consumption and Production</p>	Improve the production efficiency of raw materials and recycle and reuse resources.	Not including domestic waste processed via incineration, in 2022 the overall waste recycling rate was 99%; the target was achieved.	3.1 Resources, materials, and recycling management

Connection of SDGs with the Company's sustainable development targets

03

SDGs	Goals	Actual practices in 2022	Corresponding chapter
 <p>SDGs 7 Affordable and Clean Energy</p>	Comply with the voluntary GHG reduction commitment, comply with regulations, and analyze the risks and opportunities of climate change to reduce the financial loss arising from production operations due to climate change	<ol style="list-style-type: none"> Adopt TCFD methods to identify transformation risks and physical risks during the course of operation, examine the countermeasures each year, and establish a resilient climate change culture. Reduced carbon emissions by 359 tCO₂e in total via various energy-saving and carbon dioxide reduction plans 	3.2 Climate change and energy management
 <p>SDGs 13 Climate Action</p>			
 <p>SDGs 17 Partnerships for the Goals</p>	Establish long-term cooperating relations of mutual assistance, mutual trust, co-existence, and co-prosperity.	<ol style="list-style-type: none"> In 2022, the annual supplier audit was expected to be performed for three suppliers; the audit was only completed for one supplier. Due to the effects of COVID-19, the procedure audit and system audit for one supplier were delayed to 2023. For another supplier, the visit is canceled as there have been no transactions temporarily Achieved 100% in not using minerals from the Democratic Republic of the Congo that are recognized as not complying with the conflict-free specifications by the United Nations Security Council The "monthly supplier evaluation list" made for approximately 22 suppliers of crucial raw materials and auxiliary materials has no deficiency 	2.4 Supply chain management



2

Business governance and value chain management

2.1 Economic performance	<u>24</u>	2.4 Supply chain management	<u>36</u>
		2.4.1 Procurement strategy	<u>37</u>
2.2 Corporate governance	<u>26</u>	2.4.2 Supply chain management	<u>38</u>
2.2.1 Governance structure	<u>26</u>	2.5 Customer services and product quality	<u>40</u>
2.2.2 Board composition and operation	<u>27</u>	2.5.1 Premium customer services	<u>40</u>
2.2.3 Risk management and internal control	<u>30</u>	2.5.2 Premium product quality	<u>43</u>
2.3 Product and innovative R&D	<u>34</u>		

2.1 Economic performance (GRI 201-1)

Management approaches (GRI 3-3)

Sustainability principle: Business governance and value chain management

Strategic policy

Improve product competitiveness and business performance and maintain the continuous growth and sustainable corporate development of the Company via innovative R&D of products and market expansion.

Commitment

Realize healthy corporate governance, protect shareholders' interests, and continue to gain profits.

Management impact

Positive/negative impact item

Actual positive impact – stable growth in financial performance – improve the investment will of investors.
Actual positive impact – introduce automated procedures and systems – improve production efficiency and reduce production costs.

Remedies and preventive measures

–

2022 Target

1. Provide drivers for the growth in operating income and further growth in profits of the ferrite core business via quality improvements and cost reduction.
2. Have continuous growth of operating revenue of the new SiC business and turn losses into gains.

2022 Performance

1. The operating status of our ferrite core business declined from 2021 due to the sluggish market demand, the rising price of raw materials, pandemic control, and other unfavorable factors.
2. The operating revenue of SiCs was NT\$174,903 thousand, representing a growth of 273% from 2021, and the product turned losses into gains.

Not achieve the goal

2023 Target

1. Provide drivers for operating income and profit growth of the ferrite core business via market development, quality improvements, and cost reduction.
2. Continuous growth of operating revenue and profits of the new SiC business.

2025 Target

1. Continuous growth of ferrite core and SiC businesses and the increase in profits.
2. Continual development of new products.

2030 Target

1. Stabilize the foundation and advantages of our main business and turn to the development of diverse products and fields.

Due to the Ukraine-Russia War, inflation, and other factors, consumer spending power dropped drastically, and the demand for mobile phones, laptops, and consumer electronics turned sluggish. Despite the continual growth in the demand for automotive electronics and cloud server products, the overall ferrite core market demand remained sluggish. The rising price of raw materials caused by inflation and the work suspension and impacts on the supply chain due to the pandemic control measures in Mainland China further stressed our ferrite core business operations. Thanks to the rapid development of EVs, our consolidated net profit after tax of the year was NT\$14,717 thousand, with an increase in the operating income and profits from SiC products. After deducting losses after tax attributable to non-controlling interest of NT\$1,631 thousand, the consolidated net profit attributable to the Company was NT\$16,348 thousand, and earnings per share were NT\$0.09.

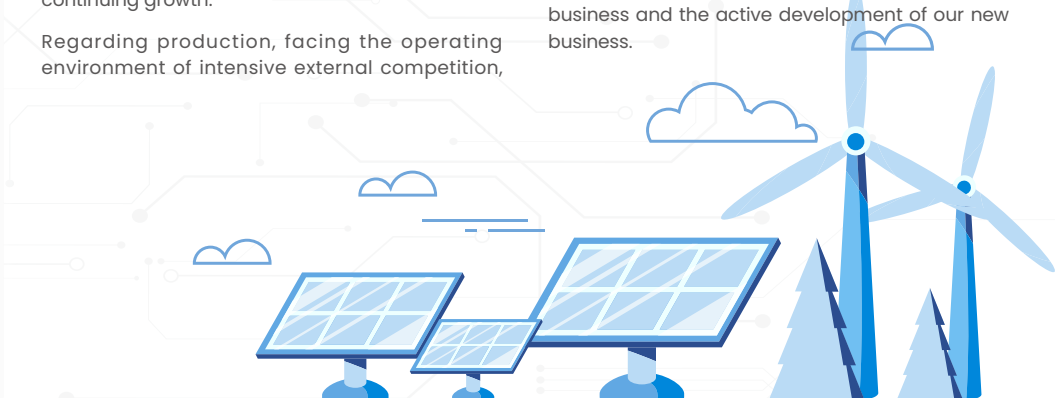
In terms of R&D and market development, high-end automobile, data center, AI, industrial, medication, aerospace, 5G, IoT, and other applications will be continued to be developed. The Company continues to cooperate with such market development and actively develops relevant products. Regarding the automotive electronic market, due to the emergence of the EV market, the demand in the passive component market increased significantly. There are charging piles, automotive chargers, and DC converters for powers, keyless antenna and tire pressure detectors for sensors, and products related to V2X. Through years of efforts, the Company is recording continuing growth.

Regarding production, facing the operating environment of intensive external competition,

stable quality and cost control is required to satisfy customers' requirements and to make room for profits. The Company continues to promote lean production, 6 sigma, and TRIZ system training and project promotion. We introduced the automated and information-integrated MES production system to allow reasonable, automated, and smart production procedures, improving the overall quality and cost competitiveness.

For new business development, the market applications of SiC developed due to the rapid development of EVs, and countries worldwide have listed SiC as a strategic crucial material; Taiwan also included the material in its political development items. The Company has recorded certain progress in the development of high-purity SiC powder, and our sales continue to grow. In the future, in line with the market development (i.e., the development of EV and PV industries), we will expand our production and marketing scale and actively invest in the development of the application market of high-purity SiC ceramic products to lay a foundation for the next development opportunity.

Inflation and geopolitical risks constantly affect economic development. The outbreak of COVID-19 slowed down, and operations in countries worldwide and Mainland China have gotten on track. There are constantly new applications in the electronic industry, and the market is abundant with emerging opportunities. The Company wishes to continue to grow and make progress in creating further profits under the constantly strengthened competitiveness of our ferrite core business and the active development of our new business.



Financial performance of ACME and its subsidiaries from 2020 to 2022

Unit: NT\$ thousands

Item	2020	2021	2022
Consolidated operating revenue	2,619,471	3,070,315	3,057,217
Consolidated gross profit	475,937	617,703	519,969
Consolidated operating gains	100,951	155,204	47,423
Consolidated net profit before tax	74,817	143,781	53,072
Consolidated net profit after tax	37,374	90,481	14,717
Consolidated net profit after tax attributable to the Company	33,393	59,329	16,348
Consolidated net profit after tax attributable to non-controlling interests	3,981	31,152	(1,631)

To allow shareholders and investors to gain real-time accurate information about the Company when making investment decisions, apart from the publication of monthly operating revenue, quarterly financial statements, and annual reports for the shareholders' meeting, relevant information may be inquired in the "investor services" section on the Company's website (<https://www.acme-ferrite.com.tw>) or on MOPS (<https://mops.twse.com.tw>). In addition, shareholders and investors may make use of the direct line of the spokesperson or deputy spokesperson, "contact us" on our corporate website, and "contact us" on the UGI Group stock affairs website (<https://www.usig.com/USIGStockHome.aspx>) to reflect any problems and recommendations; dedicated personnel will handle and respond to all opinions.

Corporate website



MOPS



UGI Group stock affairs website



2022 annual report for the shareholders' meeting



Direct economic value generated and distributed by ACME from 2020 to 2022

Unit: NT\$ thousands

Item	Basic elements	2020	2021	2022
Economic value directly generated	Operating revenue ^(Note 1)	1,026,964	1,304,802	1,379,326
	Operating cost ^(Note 2)	1,035,204	1,344,402	1,509,574
Economic value distributed	Employees' salaries and benefits ^(Note 3)	178,638	213,109	217,539
	Payments to capital contributors ^(Note 4)	13,192	12,967	16,906
	Payments to the government ^(Note 5)	1,159	1,292	1,210
	Community investment ^(Note 6)	0	0	0
Economic value retained ^(Note 7)		33,393	59,329	16,348

Note 1: Operating revenue refers to sales revenue.

Note 2: Operating cost refers to the cost of sales plus operating expenses.

Note 3: Employees' salaries and benefits are included in the abovementioned operating cost.

Note 4: The Company did not distribute cash dividends; therefore, this only includes interest expenses.

Note 5: Payment to the government refers to property taxes imposed by the government.

Note 6: Taoyuan Plant of the Company is inside the Guanyin Industrial Park; apart from paying management fees, there are no other relevant community investment expenses.

Note 7: The scope included is beyond Taiwan, and profit or loss recognized by overseas investees is also included.

Financial assistance received from government (GRI 201-4)

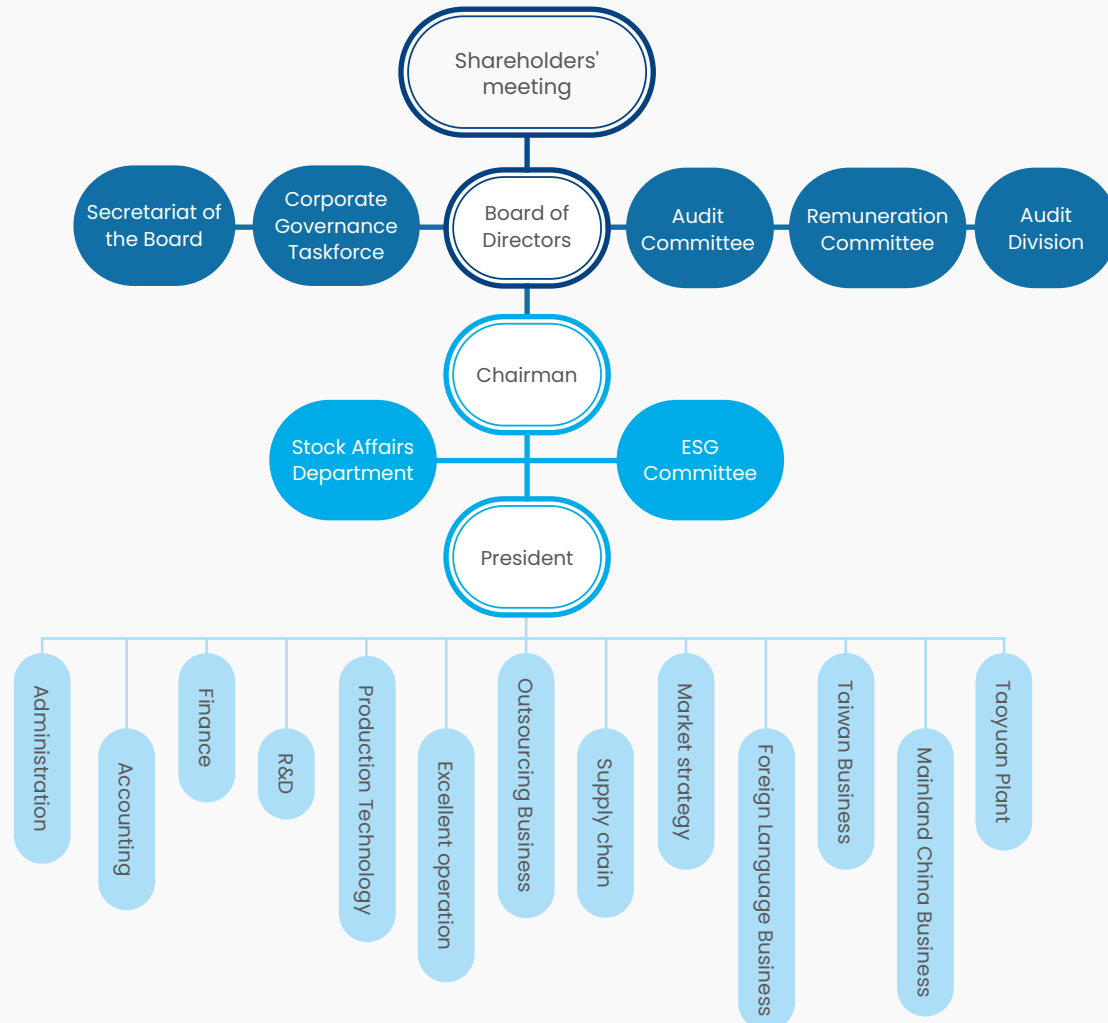
The Company actively invests in innovative R&D activities each year, and R&D expenses may offset the business income tax payable in the current year; however, there was no income tax payable in 2020 and 2022; therefore, no R&D expenses were used for offsetting.

In 2022, we obtained subsidies of NT\$11,000 thousand from the government under the Taiwan Industry Innovation Platform Program.

2.2 Corporate governance

2.2.1 Governance structure

Governance structure and composition (GRI 2-9)



Corporate Governance Best Practice Principles

To establish a favorable corporate governance system and improve corporate governance functions, the Board has approved the establishment of the "Corporate Governance Best Practice Principles" with reference to the "Corporate Governance Best Practice Principles for TWSE/TPEX Listed Companies" and in accordance with the practical operations on August 6, 2015 in the hope of achieving the following targets:

- 01 Establish an effective corporate governance structure.
- 02 Protect shareholders' interests.
- 03 Reinforce the functions of the Board.
- 04 Respect stakeholders' interests.
- 05 Improve information transparency.

The Company participated in the "Listed Company Corporate Governance Evaluation" organized by the Securities and Futures Institute, commissioned jointly by TWSE and TPEX and was ranked top 6%~20% for eight consecutive years among early 700 companies listed on TPEX under evaluation from the second session to the ninth session, representing that the efforts made by the Company for corporate governance are recognized.

Four major aspects of the evaluation

Protect shareholders' interests and treat shareholders fairly	Strengthen the structure and operation of the Board	Improve information transparency	Promote sustainable development
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To protect shareholders' interests and reinforce Board functions, the Board approved the resolution on May 7, 2019 to assign Director of Legal Division, Erik Chen to be the Chief Corporate Governance Officer, which is the highest supervisor responsible for affairs related to corporate governance. Director of Legal Division, Erik Chen possesses experience in holding the position of chief legal affairs in public companies for over seven years. Its main duties are organizing matters related to Board meetings and shareholders' meetings, producing minutes of Board meetings and shareholders' meetings, assisting Directors in on-boarding and continuing education, providing data required by Directors for the execution of operations, and assisting Directors in legal compliance.

Protection of shareholders' interests and information transparency

As of March 28, 2023, the shareholder structure of the Company is primarily individuals and Juristic Persons that are not governmental institutions. The name, number of shares held, and shareholding ratio of shareholders with the top ten shareholdings are disclosed in the Company's annual report; please refer to page 102 of the 2022 annual report of the Company.

Shareholder Structure	Number of shares held	Shareholding ratio
Financial institution	228,007	0.11%
Other Juristic Persons that are not governmental institutions	105,313,433	49.45%
Individual	106,028,270	49.77%
Foreign institution and foreigner	1,424,033	0.67%
Total	212,993,743	100%

To protect shareholders' interests, the Company is committed to providing real-time transparent corporate information to shareholders and actively establishes favorable mutual communication channels with shareholders, including annual shareholders' meetings, investor conferences, MOPS, "investor service" page, annual reports, and sustainability report in both Chinese and English to disclose real-time corporate governance status, operating status, financial statements, sustainable management, corporate development, and other financial and non-financial information, and continues to collect shareholders' opinions and feedback to service as a reference for decision-making by its management team.

Online investor conferences



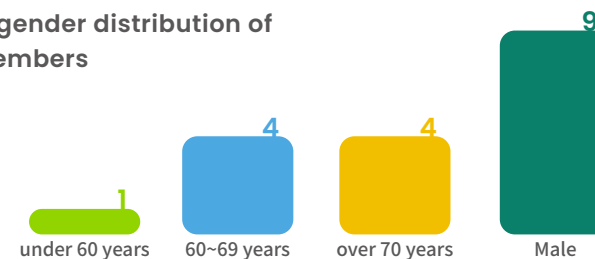
2.2.2 Board composition and operation (GRI 2-9、2-10、2-11、2-13、405-1)

Board of Directors

The Board of the Company comprises 9 Directors with extensive experience in their respective professional fields. There are 3 Independent Directors among them, and the ratio of Independent Directors accounts for 33% of the Board. The term of office of Directors is 3 years; they may be re-elected and re-appointed. The candidate nomination system is adopted for Directors (including Independent Directors) of the Company. Shareholders who hold shares over 1% of the total issued shares and the Board may propose the list of Director candidates. After the Board has approved that the candidates comply with conditions to be equipped with by Directors, the list is submitted to the shareholders' meeting, and the shareholders' meetings shall elect them from the list of Director candidates. The term of office of the current Board is from June 12, 2020 to June 11, 2023. In 2022, a total of five meetings were convened, and the attendance rate in person of all Directors (Independent Directors) reached 97.78% (100% if including proxy).

Term of office of the current session	June 12, 2020 to June 11, 2023
Member	<ul style="list-style-type: none"> ※ Director: Yi-Gui Wu (Chairman), Shan-Ko Hsu, Hui-Ming Cheng, Hsien-Tsung Wu, Chun-Hui Huang and Wen-Hao Wu (President) ※ Independent Director: Lee-Chiou Chang, Piao-Chun Chen, and Shun-Tian Lin
Member gender	All male
Member age	<ul style="list-style-type: none"> ※ One below 60 ※ Four between 60-69 ※ Four above 70

Age and gender distribution of board members



Note: The background information, academic background, and concurrent positions in other companies of Directors are disclosed in the annual report of the Company; the data of the annual report is available on MOPS and our corporate website.

The Board meeting is convened at least once each quarter by the Chairman, who also chairs the meeting. There are subordinated functional committees "Remuneration Committee" and "Audit Committee" in place, and they convene meetings for proposal reporting, discussions, and resolution based on their respective scope of powers and submit them to the Board for reporting, discussion, and resolution.

Submission procedures for proposals at Board meetings (GRI 2-9 、 2-10 、 2-11 、 2-12 、 2-13 、 2-16)

The responsible department for the submission procedures proposes → to the functional committees for reporting, discussions, and resolution → and then submits them to the Board meeting for reporting, discussions, and resolution.

After meetings, the meeting affairs departments of functional committees and the Board will prepare meeting minutes according to the course of discussion and resolution results. In addition, the Company has a "Secretariat of the Board" to serve as the affairs department for the operation of the Board; the Secretariat is responsible for planning and organizing Board meeting affairs to improve the efficiency of Board meetings and assist in promoting the execution of resolutions.



For the details of the operations of the Board in 2022, please refer to pages 34 to 40 of the Company's 2022 annual report; for material resolutions of the Board, please refer to pages 87 to 90 of the 2022 annual report.

Functional committee (GRI 2-9 、 2-19 、 2-20 、 2-21)

The Company has established two functional committees, the Audit Committee and the Remuneration Committee, that are subordinated to the Board based on functions. The members, purposes, and operations of the committees are as follows:

Name	Audit Committee	Remuneration Committee
Piao-Chun Chen	√	√ (convener)
Lee-Chiou Chang	√ (convener)	√
Shun-Tian Lin	√	√

Name	Purpose	Operation
Audit Committee	<p>The main purpose is to supervise the following matters:</p> <ul style="list-style-type: none"> Fair presentation of financial statements Selection (dismissal) and independency and performance assessment of CPAs Effective implementation of the Company's internal control Legal compliance of the Company Control of the existing or potential risks of the Company 	<ul style="list-style-type: none"> Composed of three Independent Directors A meeting shall be held at least once each quarter according to the requirements Five meetings were convened in 2022 The average attendance rate in person of Independent Directors was 100%
Remuneration Committee	<ul style="list-style-type: none"> Evaluate the remuneration policy and system of Directors and managers Regularly examine the adequacy of the remuneration of Directors and managers 	<ul style="list-style-type: none"> Composed of three Independent Directors A meeting shall be held at least once each year according to the requirements Three meetings were convened in 2022 The average attendance rate in person of Independent Directors was 100%

The Remuneration Committee regularly examines the performance evaluation and the policy, system, standards, and structure of remuneration of Directors and managers and establishes and estimates the remuneration of Directors and managers with reference to the median salaries within the industry, time invested and duties assumed by individuals, target achievement of individuals, remuneration of persons of equivalent positions, achievement of the short-term and long-term business targets of the Company, the financial position of the Company, and other factors, and the remuneration shall be approved by the Board.

Remuneration :

Remuneration items of Directors include compensation, profit sharing of Directors, and business execution expenses; remuneration items of managers include monthly salary, fixed bonus, year-end bonus, profit sharing of employees, and annual special bonus, in which profit sharing of Directors and remuneration of employees shall be subject to the requirements

under Article 34 of the Articles of Incorporation. Total remuneration ratio in 2022 (Note 1): 9.96: 1. Total remuneration change ratio (Note 2): -5%.

Performance evaluation :

Aspects of performance evaluation of Directors include the understanding of corporate targets and missions, awareness of duties, level of participation in corporate operations, internal relationship management and communication, professional and continuing education, and internal control; the performance evaluation of managers covers the finance aspect (operating revenue, operating gains, and net profit before tax), customer aspect (customer satisfaction and service quality), product aspect (brand management and quality innovation), talent aspect (talent cultivation and potential development), safety aspect, project aspect (digital transformation, energy-saving and carbon dioxide reduction, circular economy, and net zero emissions), and mid-to-long-term sustainable corporate operation targets.

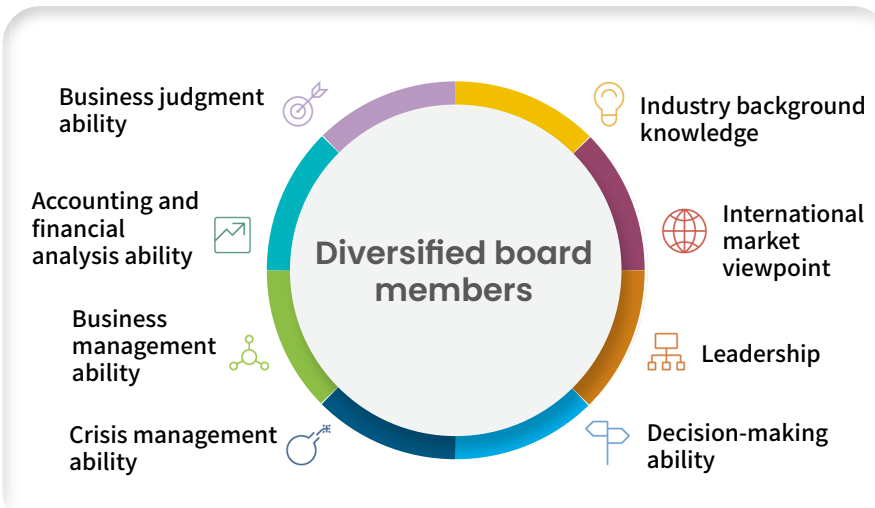
Note 1: Total remuneration ratio = Annual total remuneration of the individual with the highest remuneration in the organization/median of the annual total remuneration of all employees (excluding the individual with the highest remuneration)

Note 2: Total remuneration change ratio = Increase ratio of the annual total remuneration of the individual with the highest remuneration in the organization/median of the annual total remuneration of all employees (excluding the individual with the highest remuneration)

Implementation of Board diversification policy

(GRI 2-10、2-17)

According to Article 20 of the Company's "Corporate Governance Best Practice Principles," Board composition shall consider diversification, and members shall possess the knowledge, skills, and literacy required for the execution of duties. To achieve the ideal target of corporate governance, the overall Board shall possess the following ability:



Apart from the abovementioned eight abilities, with consideration to the high attention paid to topics related to corporate governance and environmental protection worldwide, the Company expects to include two professional abilities, "law" and "environmental protection," in terms of Board diversification. Current members possess the knowledge, skills, and literacy required for the execution of duties and possess accounting and finance, international market, legal, and environmental protection expertise. For Board diversification, please refer to pages 21 to 22 of the Company's 2022 annual report.

In the future, the Board diversification target is to add one Director with professional sustainable development experiences to assist the Company in realizing its carbon dioxide reduction targets and promote the green power policy and add one Director with management risk control expertise to improve the Company's sustainable competitiveness, allowing the functions of the Board to become comprehensive.

Recusal of Directors for conflicts of interest (GRI 2-15)

The Board has established comprehensive systems and measures in terms of procedures for avoiding conflicts of interest (including effects on the economy, environment, and people), which is described as follows:

01 System to prevent conflicts of interest

1. To optimize corporate governance and to allow the Board to understand matters that have conflicts of interest with the Company for the protection of investors' interests, the Company has explicitly stipulated in Article 16 of its Rules of Procedure of Board Meetings: "If a Director or the corporation represented by the Director has any conflicts of interest in any proposal at a meeting, the Director shall describe the material content of its interest. If there is a risk to harm the Company's interest, the Director shall not join the discussion and voting, and shall recuse from the discussion and voting, and shall not exercise voting rights on behalf of another Director."
2. To improve the disclosure of Directors with a personal interest in proposals and the status, the Company also explicitly stipulated in Article 17 of its Rules of Procedure of Board Meetings: "The minutes of Board meetings shall duly record the name of the Director with interest, the material content of the interest, the reason for recusal or non-recusal, and the recusal status."

- ### 02
- To establish favorable corporate governance and Independent Director systems, allowing Independent Directors to exert their functions for the Board and the operation of the Company, the Company has established the "Rules Governing the Scope of Powers of Independent Directors", which explicitly stipulated that "any opposing or qualified opinions of Independent Directors shall be set out in the minutes of Board meetings", "the Company shall not interfere with, reject, or avoid the execution of duties by Independent Directors", and that if Independent Directors deem necessary for the execution of their duties, they may require the Board to appoint relevant personnel or engage experts for assistance" to ensure the Independent Director may duly perform their duties and effectively improve the operations of the Board and the business performance of the Company.

- ### 03
- In terms of the procedures for avoiding the conflicts of interest of Directors, the Board has established comprehensive systems and measures (please refer to the Code of Ethical Conduct of Directors and Managers, Ethical Corporate Management Best Practice Principles, and Procedures for Ethical Management and Guidelines for Conduct).

- ### 04
- Measures to avoid conflicts of interest: When having proposals involving the interests of Directors at the Board meeting, the chairperson will remind relevant Directors related to such proposals to recuse themselves; if the Chairman (chairperson) is required to recuse itself, it shall appoint a Director who has no interest in the proposal to chair the meeting on its behalf.

- ### 05
- The Secretariat of the Board has duly set out the content related to proposals in which Directors have conflicts of interest in detail in the minutes of Board meetings according to the requirements under Article 17 of the Rules of Procedure of Board Meetings.

- ### 06
- For the recusal of the Board for interest in proposals in 2022, please refer to page 37 of the Company's 2022 annual report.

Implementation of the performance evaluation of the Board, Audit Committee, and Remuneration Committee (GRI 2-18)

According to the "Regulations for Board Performance Evaluation" amended and approved by the Board in November 2019, the Company has completed the performance evaluations for the overall Board, individual Directors, the Audit Committee, and the Remuneration Committee for 2022 in January 2023; the evaluation period was from January 1 to December 31, 2022.

The score is ranging from 0 to 5, and 5 is the top mark. The average score for the five major aspects of the overall Board reached 4.6 or above. The average score for the six major aspects of Directors reached 4.4 or above. The average score for the five major aspects of the Audit Committee reached 4.6 or above. The average score for the five major aspects of the Remuneration Committee reached 4.7 or above. Therefore, the overall evaluation result was favorable.

Improve Directors' professional functions

To reinforce Directors' professional functions, the Company regularly provides information on relevant continuing education courses and assists Directors in registering. The Company arranged internal continuing education courses for a total of 6 hours. Tsai-Yi Wu, President of the Taiwan Research Institute, was invited to provide a lecture of 3 hours on "risks and opportunities of corporate management under climate change and net zero emission policy" on July 14, 2022. Yung-Chin Hsu, partner of PwC Legal, was invited to provide a lecture of 3 hours on "introduction to competition over corporate management rights and Commercial Case Adjudication Act" on October 13, 2022. In 2022, Directors and Independent Directors participated in external courses, and the total continuing education hour was 60 hours. Nine Directors (Independent Directors) complied with the number of continuing education hours stated in the "Directions for the Implementation of Continuing Education for Directors and Supervisors of TWSE Listed and TPEX Listed Companies." For details of the continuing education courses and number of hours, please refer to pages 39 to 40 of the Company's 2022 annual report.

2.2.3 Risk management and internal control (RT-EE-510a.1)





Risk management (GRI 2-25)

In 2022, the global economy was affected by the slowdown in demand caused by inflation and rising interest rates, the Ukraine-Russia War and geopolitical conflicts, repeated adoption of Zero-COVID and lockdown measures by China due to COVID-19, financial risks brought by climate change and energy crisis, and net zero emission by 2050, making risk management an important part of corporate governance.

To strengthen corporate governance, minimize potential risks faced by operations, and ensure the stable operations and sustainable development of the Company, the Audit Committee and the Board approved the "Regulations for Risk Management Policies and Procedures" in December 2020; the main content includes risk management policies, risk management organization, risk management procedures, risk management category and system, and other items so as to effectively control risks generated from business activities, and the operating status of risk management shall be reported to the Audit Committee and the Board each year.


Functional departments carry out detailed risk identification based on their profession and formulate management strategies and countermeasures to reduce, transfer, or avoid risks,

and the Audit Division is responsible for the supervision. In 2022, the key operating status of risk management departments is set out in the following table:

Risk Type	Operation
 <p>Financial risks</p>	<ol style="list-style-type: none"> Interest rate risk: Under the effects of COVID-19 and the Ukraine-Russia War, the price of global commodities surged and resulted in rising inflation. Central banks in different countries increased the interest rate to inhibit inflation; for the rising stage of interest rate, the countermeasures are as follows: <ol style="list-style-type: none"> Short-term capital requirements: Keep close attention to the changes in short-term interest rates and appropriately adjust the term of borrowings to effectively reduce costs and prepare short-term capital for business requirements. Mid-to-long-term capital requirements: Secure mid-to-long-term limits from financial institutions to fixed capital costs at a fixed interest rate and avoid the risk of rising interest rates in the future. Exchange rate risk: The FED increased the interest rate significantly to prevent inflation, which resulted in significant fluctuations in the international exchange market. In principle, the Company adopts net positions for full hedging regarding foreign exchange operations. However, if the development in the exchange market is clearly more favorable, the Company may appropriately adjust the hedging ratio within the scope of controllable risks. Credit risk: The Company regularly has meetings to examine the operating status of customers or analyze the financial statements of customers. If any customer with issues is found, the Company will recommend suspending shipping or reducing loans.
 <p>Strategic and operating risks</p>	<ol style="list-style-type: none"> The operating department regularly reports strategic topics to Directors to reduce strategic risks via the recommendations and supervision of Directors. Cross-plant video conferences are convened each week to examine the operating status of plants, grasp changes and development of companies within the industry, of the market, industry, and customers, and adjust and formulate operating strategies.
 <p>Raw material price and supply chain risk</p>	<ol style="list-style-type: none"> The price of raw materials fluctuated significantly; therefore, the 2nd source was introduced for the benefit of cost reduction. Adjust and confirm the demand of using departments on a rolling basis, prepare materials, and make arrangements in advance for normal management of raw material inventory and logistics. The production department regularly examines and establishes the spare major production equipment plan. The procurement department cooperates with the spare plan, learn the spare production equipment and delivery term of suppliers, and place order on a timely basis.
 <p>Occupational safety risk</p>	<ol style="list-style-type: none"> To improve occupational safety and health management efficacy, we commenced introducing ISO 45001 occupational safety and health management system in April 2022 and obtained the verification in December. The Predictive Maintenance & Environmental Risk Management Division of the Group organizes safety promotions related to incidents within the Group or material domestic and foreign occupational safety and environmental protection news from time to time to service as examples to learn from others' incidents.

Risk Type	Operation
 <p>Information security risks</p>	<ol style="list-style-type: none"> We regularly invite internationally renowned verification companies to perform the ISO 27001 verification and audit; we have passed the ISO 27001 verification for nine consecutive years this year. E-mail services are fully transferred to Microsoft M365 cloud e-mail host services to avoid the loss of sensitive data and operating losses caused by phishing e-mail and blackmailing software and effectively protect the e-mail system from threats via the in-depth enterprise protection system it provides so as to prevent external information security attacks. We regularly organize educational training and promote new information safety knowledge, improve information security education, and engage professional information security consultation companies to execute social engineering drills two times a year to improve employees' information security awareness and protect data safety.
 <p>Legal risk</p>	<p>The Legal Affairs Division of USI Group provides consultation and recommendations to ensure that the Company's activities comply with regulatory requirements. In addition, the Division handles the preparation and review of legal documents related to different transactions and provides adequate and feasible recommendations to facilitate the completion of transactions while ensuring the Company's interest and avoiding derivative default risks and responsibilities. The operations were normal in 2022, and risk control was favorable.</p>
 <p>Human resource risks</p>	<p>Legal compliance risk: The Company appoints dedicated personnel to examine and amend relevant rules of the Company in due course upon the addition or amendment to laws and regulations and engage external professionals to regularly organize legal compliance courses to establish employees' ethics and morality from the foundation and continue to improve the correct legal concept.</p> <p>Risks of insufficient supply of human resources - shortage risk: Utilize job banks and professional headhunter companies to carry out talent recruitment and adopt relevant talent retention measures internally; the risk control was favorable.</p> <p>Risk of significant increases in labor costs - backlog risk: Regularly examine the effects of labor costs on operations and adjust relevant systems and rules of the Company in due course; the risk control was favorable.</p> <p>Risk of stable employee teams - risk of losses: Keep abreast of resignation and retirement in advance and carry out work handover arrangements; the resignation/retirement rate was within the controllable scope, and the risk control was favorable.</p>
 <p>R&D risk</p>	<ol style="list-style-type: none"> To improve our industrial status and protect the existing technological achievements, the "intellectual property right management plan execution status in 2022 and the R&D plan for 2023 of the Company" was reported to and agreed by the Board on November 1, 2022 to realize the Company's intellectual property right management policy. We require employees to execute non-disclosure agreements to realize the protection of business secrets and intellectual property rights.

Risk Type	Operation
 <p>Climate change and environmental risks</p>	<ol style="list-style-type: none"> We analyze the potential crisis of climate change based on TCFD and international research reports, seek possible opportunities and countermeasures, carry out financial impact analysis, and describe corresponding methods. Taoyuan Plant completed the ISO-14061-1 certification in 2022. Participate in the cross-plant technical exchange meetings and execute the environmental safety audit of the USI Group. Execute the safety audit of the Group and perform audits and make corrections and improvements for compliance with occupational safety, environmental protection, and fire control regulations. Implement the annual environmental safety educational training plan to improve the skills and knowledge of environmental safety regulations of environmental protection personnel of plants.
 <p>Disaster risk</p>	<ol style="list-style-type: none"> Guanyin Plant had no occupational disaster in 2022. Carry out machine maintenance and tests to ensure operational safety.
 <p>Technology risk</p>	<ol style="list-style-type: none"> The adoption of new technologies triggers information security risks. Regarding the blackmailing virus attacks that caused significant losses frequently in recent years, a comprehensive continuous threat protection process outweighs the prevention of hacker attacks; therefore, the Company adopts ISO 27001 and the cybersecurity framework (CSF) of NIST concurrently for supplementary use to improve our cyber lexicon in the hope of possessing the ability to endure and stop information security events and recover rapidly so as to continue the capacity of providing crucial operating services. Regarding the introduction of the digital transformation concept, we introduced 6 sigma and TRIZ to establish systematic and scientific innovations and problem-solving models. Introduce the ISO 50001 energy management system and plan to introduce a smart plant management system, which can systematically collect production data for analysis, collect the energy consumption data of various production equipment, and continue to carry out energy-saving and carbon dioxide reduction improvements. Optimize existing equipment, procedures, and conditions, improve production capacity, and jointly develop equipment of low energy consumption and high production efficiency with suppliers through the opportunities of replacing matured equipment to satisfy customers' requirements for production capacity while reducing carbon emissions.

Risk Type	Operation
 <p>Other risks - COVID-19</p>	<p>COVID-19 has Omicron and BA.5 variations. Even though the severity of the pandemic reduced, the infectiousness increased significantly, and there are risks of repeated infections. The Company continues to correspond via the most stringent approach.</p> <p>The HR Division of the Group has established pandemic control measures and specifications. The Company adjusts the approach to the most appropriate according to the actual circumstances of operating venues and requirements of local competent authorities and makes implementation.</p> <p>Pandemic control measures include supplies preparation, countermeasures establishment, recovery plan formulation, temperature measuring, reinforced environmental sanitization and cleaning, work from home on rotation, food supply, and dining management.</p>

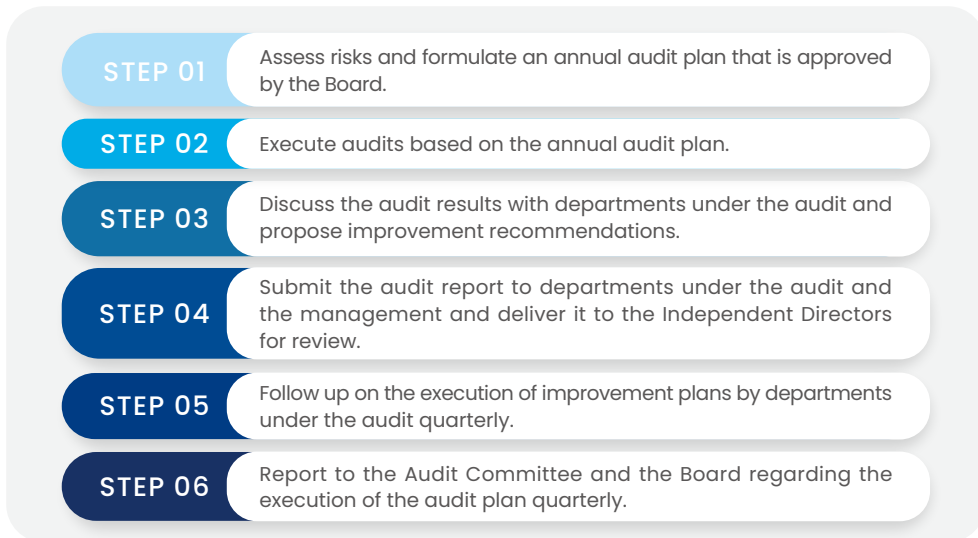
Internal control and internal audit system

The Audit Division of the Company is directly subordinated to the Board. It assists the Board and managers in examining and reviewing the internal control system in the hope of achieving "operational effects and efficiency", "reliability, timeliness, transparency, and compliance of financial reporting", and "compliance with relevant regulations", three major goals of internal control.

The Audit Division formulates the annual audit plan according to the "internal control system" of the Company. Apart from including the eight major operating cycles under the control operations, management operation, computerized information system management, and regulatory compliance matters in continual audit items, it also executes risk evaluations before formulating the audit plan to connect to the annual strategic target of the Company so as to implement to relevant operating level. The annual audit plan is submitted to the Board for approval; risk management and regulatory compliance are implemented in the daily operating management of departments based on the internal control system.

In 2022, the Audit Division proposed a total of 53 audit reports and 9 improvement follow-up reports. The Audit Division report to the Audit Committee and the Board regarding the execution of the audit plan, audit findings, and improvement status quarterly and carry out online filing and deliveries to the Audit Committee for review according to the time stated by laws and regulations.

The Company regularly implement effective management for risks identified each year while combining them with goals of control operation and examining the effectiveness of the internal control design and execution of different operating levels. Furthermore, the Audit Division completed the review of the annual self-evaluation data of the internal control system of departments and subsidiaries for 2022 and issued a review report in February 2023 to serve as the main basis for the Board and the President to issue the internal control system statement.



Reporting and consulting channels (GRI 2-25、2-26)

For circumstances violating relevant systems of the Company and national regulations, the Company has established complaint, whistleblowing, and punishing systems, provided proper whistleblowing channels, and strictly protected the identity of the whistleblower and the whistleblowing content.

Internal reporting and consulting system:

The Company has established its "regulations for employee complaints and opinion mailbox management", "procedures for the e-mail of the Audit Committee", and "regulations for reporting illegal and immoral or unethical behaviors" to set up its whistleblowing and complaint channels. Acceptance, handling, and responding are assigned to the HR department, audit department, and the Audit Committee for handling based on nature. Internal employees may report via personal meeting, telephone (02-26503783), posting (Audit Division of the Group, 7F, No.37, Jihu Rd., Neihu Dist., Taipei City), and e-mail of the Audit Committee (auditcomm@usig.com).

External reporting and consulting system:

If external stakeholders have any recommendations or complaints, please reflect to the Company via "contact us" on our website and "e-mail of the Audit Committee."

The Company adheres to the Ethical Corporate Management Best Practice Principles. All employees shall execute commitments or non-disclosure agreements related to their duties and observe the rules and policies of the Company. In 2022, there was no malpractice or violation of laws.

Ethical corporate management

The Company established the "Code of Ethical Conduct for Directors and Managers" on December 8, 2006 to require Directors and managers to exert honesty, trustworthy, legal compliance, fair and just, ethics, and self-discipline when handling affairs of the Company, avoid personal conflicts of interest, avoid self-profiting opportunities, protect business secrets, engage in fair trade, comply with laws and regulations, and protect and appropriately use the Company's assets.

We believe that ethical corporate management is the foundation for excellent corporate governance. The Board approved the establishment of the "Ethical Corporate Management Best Practice Principles" on December 23, 2010, established the "Procedures for Ethical Management and Guidelines for Conduct" on December 18, 2012 based on the principles, and amended the "Procedures for Ethical Management and Guidelines for Conduct" on November 1, 2022 to state that Directors of the Company shall comply with regulations, ban insider trading, and shall not trade the Company's stocks during the lock-up periods, 30 days before the publication of the annual financial statements and 15 days before the publication of quarterly financial statements.

The Company's ethical corporate management policy is based on incorruptible, transparent, and responsible management philosophies to establish policies based on ethics and establish favorable corporate governance and risk control systems to create operating environments of sustainable development.

The "Ethical Corporate Management Best Practice Principles" : specifies that Directors, managers, employees, or persons of substantial control over the Company shall not, directly and indirectly, provide, promise, require, or accept any unjust benefits or engage in other unethical behaviors violating ethics, laws, or fiduciary obligation to gain or protect their interests (i.e., banning bribery or acceptance of bribery, provision of illegal political donation, in appropriate charitable donations or sponsorships, unreasonable gifts, services, entertainment, or other abnormal benefits) in the course of engaging in business conducts.

To implement ethical corporate management, the Company adopts the following measures:

- 01 Specify the policy of ethical corporate management in the Company's rules and documents with external parties.
- 02 The Corporate Governance Taskforce is responsible for formulating the preventive plan, including the operating procedures, guidelines for conducts, and educational training, and regularly (at least once a year) reporting to the Board.
- 03 Establish and comply with an effective accounting system and internal control system.
- 04 Provide appropriate whistleblowing channels and stipulate a punishment and complaint system for violating the requirements of ethical corporate management.

To allow Directors, managers, and employees of the Company to understand and promote the ethical and moral standards of the Group and duly observe, the Company requires employees to observe ethical corporate management policies in its employment conditions, and Directors and senior managers are required to execute the statement to comply with the ethical corporate management policy. In 2022, the execution rate of Directors and managers was 100%.

Legal compliance (GRI 2-27)

Our efforts for legal compliance are based on our "ethical corporate management", the core value of utmost importance. For all employees to understand legal compliance topics, we allow employees to gain information on new or amended regulations via employees' internal training or external training courses and promotion of the latest regulation new and trends at regular functional meetings; meanwhile, the Legal Affairs Division of USI Group provides legal consultation and recommendations.

To allow employees to understand the practicing ethical specifications, the Company publish relevant specifications on its website and continue to invite famous scholars, experts, or lawyers to provide educational training or promotion for Directors, managers, employees, and person of substantial control over the Company for them to fully understand the Company's determination for ethical corporate management, policies, preventive plans, and consequences for unethical behaviors. In 2022, the Company organized educational training related to ethical corporate management topics (including specifications of the Fair Trade Act and case analysis, preventing illegal infringement at the workplace, and HR personnel labor laws and regulations seminar). There were 76 participants, and the training hours totaled 210 hours.

In 2022, the Company had no violation or fine related to customer privacy and products and services.

In 2022, as Guangzhou Plant sold the grinding sludge to companies directly after water removal without implementing the mixing and sintering procedures according to the environmental impact assessment procedures, the Guangzhou City Environment and Ecology Bureau found out that the grinding sludge was not recycled according to the environmental impact assessment and imposed a fine of RMB371,000.

In 2022, the Guangzhou City Environment and Ecology Bureau found out that ozone concentration at Guangzhou Plant's sintering procedure discharge outlet exceeded the discharge limit of 1,000 dimensionless quantities and imposed a fine of RMB140,000.

In 2022, as Kunshan Plant moved fixed waste to another province for use and failed to make a filing to the competent authority of ecology and environment at the receiving province of the fixed waste, the Suzhou City Environment and Ecology Bureau considered it violated the Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Waste and imposed a fine of RMB199,000.



2.3 Product and innovative R&D

Management approaches (GRI 3-3)

Sustainability principle: Business governance and value chain management

Strategic policy

- Adopt innovative corporate culture to accumulate innovation capacity
- Develop new materials and new products to maintain our competitive strength
 - Explore new businesses and seek sustainable development

Commitment

Maintain the ratio of R&D expenses to operating revenue at 5%

Management impact

Positive/negative impact item

- Actual positive impact - develop new products and product diversification - environmental-friendly materials and enter new industries.
- Actual positive impact - successful development of sustainable materials - increase operating revenue.

Negativity remedies and preventive measures

-

2022 Target : Ratio of R&D expenses to operating income > 5%

2022 Performance : Ratio of R&D expenses to operating income: 6.8%



2023 Target : Ratio of R&D expenses to operating income > 5%

2025 Target : Ratio of R&D expenses to operating income > 5%

2030 Target : Ratio of R&D expenses to operating income > 5%

Constant and continuous technological advances and innovations are the core values of the Company, and they are also the momentum to maintain our competitive advantages. The Company occupies a leading position in the market and is able to rapidly satisfy different design requirements of customers.

In the past three years, the R&D funding invested by the Company continued to increase and maintained at 6% of its operating revenue; the proportion of such R&D investments is equivalent to that of top-notch companies worldwide. Due to the increase in the investment of R&D funding, we reinforced the personnel and quality of our R&D team while adding high-end experiment equipment to actively accumulate innovative capacity, create innovative environments, and realize the value of innovation.

Investment of R&D expenses of ACME from 2020 to 2022 (unit: NT\$ thousands)

Year	2020	2021	2022
R&D expenses	61,427	77,547	93,245
Ratio to operating revenue	6.0%	5.9%	6.8%

Training hours of R&D personnel of ACME from 2020 to 2022 (unit: hours)

Year	Number of hours
2020	3,868
2021	2,587
2022	4,228

Academic background distribution of R&D personnel of ACME from 2020 to 2022 (unit: person)

Year/educational background	Ph.D.	Master	Universities and colleges	Vocational high schools	Total
2020	3	18	5	1	27
2021	4	19	7	1	31
2022	4	20	8	1	33

For material development, the Company focuses on the development of EV power applications and CAN-BUS communication applications and the development of high-frequency power products for servers. In terms of product development, we focus on small-scale high frequency and high-power induction cores, 5G communication power products, and low consumption products of EV-related applications. Meanwhile, we engage in joint development with leading companies within the industry to develop high-frequency, high-power, and low-consumption green energy materials to satisfy market requirements and development trends. In addition, in response to the development of green energy, low-consumption amorphous alloys and superfine alloys materials and products are also listed as the development focus in 2023.

For new business development, SiC is a material of semiconductor that can realize low consumption, high efficiency, and small-scale power. As compared to traditional Si semiconductor components, SiC is able to reduce the consumption of power shifting and possesses excellent working features even in environments of high temperature. Solar inverters, EVs, and railway systems are stated to adopt SiC function components. semi-insulating SiC is expected to become a substrate material for power magnifiers of 5G applications. Furthermore, SiC ceramic material parts are extensively used in semiconductor and optoelectronic processing equipment due to their excellent high-temperature resistance and corrosion resistance.

The market applications of SiC developed due to the rapid development of EVs, and countries worldwide have listed SiC as a strategic crucial material; Taiwan also included the material in its political development items. The Company has recorded certain progress in the development of high-purity SiC powder, and our sales continue to grow. In the future, in line with the market development (i.e., the development of EV and PV industries), we will expand our production and marketing scale and actively invest in the development of the application market of high-purity SiC ceramic products to lay a foundation for the next development opportunity.

Technologies or products successfully developed by ACME from 2020 to 2022

	Technology or product successfully developed	Usage
2020	1. Ni-Zn High Permeability and High Tc K151	Controller Area Network for Automotive
	2. High μ_i (≥ 10000) and High Impedance Ferrite Material(A105)	Server Powder EMI choke
	3. High purity 6N SiC Powder for semi insulating powder	Power Semiconductor Material
	4. High purity ceramics SiC powder AFSC4/AFSC3/AFSC2	SiC Sintered Powder
	5. Alloy Material AN01	Automotive Application
2021	1. Mn-Zn high frequency and Low Loss Material P452/P53	For Server or 5G Power Supply
	2. Ni-Zn High Permeability and High Tc>130°C (K201)	Controller Area Network for Automotive
	3. Low Core Loss at Wide Frequency 200 to 500kHz (P452ii)	For Server or 5G Power Supply
	4. Ceramic injection molding (CIM) for mini-sensor	Controller Area Network for Automotive
	5. Amorphous alloy for power inductor	For GaN substrates Application
2022	1. The wide temperature permeability material can further reduce the α_F coefficient (A044i)	Controller Area Network for Automotive
	2. Improving the bandwidth characteristics of 10000u high conductivity material	Server Powder EMI choke
	3. Improving the Tc for high permeability material (A104i)	High Tc EMI Application for Automotive
	4. Improving the core loss for high frequency applications (P6X)	High Frequency DC-DC Application for Server or 5G Power Supply
	5. Development of the wide temperature permeability (-40-160°C) material (F30)	Controller Area Network for Automotive
	6. Development of nanocrystalline and amorphous materials	For GaN substrates Application

2.4 Supply chain management

Management approaches (GRI 3-3)

Sustainability principle: Business governance and value chain management

Strategic policy

- Conflict mineral management: Implement conflict minerals due diligence of suppliers, and the use rate of qualified minerals reached 100%.
- Supply chain risk management: Perform regular "quality, delivery term, level of cooperation, and price" evaluations of suppliers to ensure that suppliers comply with the Company's requirements and maintain the stability of the supply chain.

Commitment

- The production base of the Company's core procedures is in Taiwan. With other similar conditions, the Company prioritizes local suppliers for procurement to establish long-term sustainable cooperating relationships.
- We integrated major ESG indicators (i.e., RoHS, ISO 14000, ISO 45001, and ISO 50001) to serve as the evaluation and management standards for suppliers.

Management impact

Positive/negative impact item

- **Actual positive impact** - appropriate supply chain management - increase in quality.
- **Actual negative impact** - price increase in raw materials and freight - increase in costs.

Potential positive impact - actively seek substitute raw materials and reduce the use of high-pollution raw materials.

Negativity remedies and preventive measures

Regularly analyze market development and establish safety stock based on the location of suppliers, procedures, and other factors.

Establish long-term cooperating relations of mutual assistance, mutual trust, co-existence, and co-prosperity.

2022 Target

- Use rate of qualified minerals reaching 100%
- Crucial supply chain risk management: 100%

2022 Performance

- Use rate of qualified minerals reaching 100%
- Crucial supply chain risk management: 100%



2022 Target

- Use rate of qualified minerals reaching 100%
- Crucial supply chain risk management: 100%

2025 Target

- Use rate of qualified minerals reaching 100%
- Qualification maintenance rate of crucial raw material suppliers: 100%
- Ratio of increase in local procurement: 50% (excluding raw materials)

- Increase the ratio of procurements from suppliers using green energy or green procedures
- Support and adopt suppliers complying with environmental responsibility-related indicators

2030 Target

- Use rate of qualified minerals reaching 100%
- Qualification maintenance rate of crucial raw material suppliers: 100%
- Ratio of increase in local procurement: 60% (excluding raw materials)

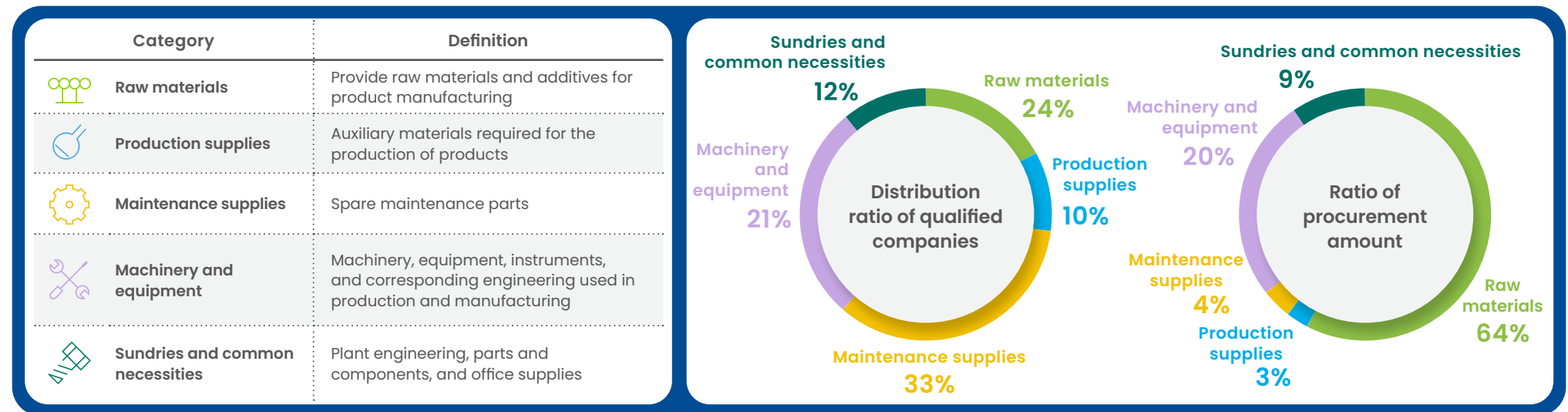


2.4.1 Procurement strategy (RT-EE-440a.1)

With increasing attention attached to sustainable operation, supply chain risk management, and relevant topics, apart from actively fulfilling its social responsibility, the Company also realized that it shall have a further understanding of the environmental, social, and corporate governance performance of suppliers.

The Company implements no conflict mineral policy; it has formulated environment-related substance management regulations and stipulated that raw material suppliers shall complete the Conflict Minerals Report Template (CMRT) of Conflict-Free Sourcing Initiative (CFSI), specify the smelting plant source, and enter into the guarantee for environment-related substances. All raw material metals of the Company in 2022 complied with DRC Conflict-Free, and the Company did not use minerals from the Democratic Republic of the Congo that are recognized as not complying with the conflict-free specifications by the United Nations Security Council.

The Company adheres to establishing long-term cooperating relations of mutual assistance, mutual trust, co-existence, and co-prosperity and has established stable relationships with suppliers over the years. Suppliers with long-term cooperation can be divided into raw materials, production supplies, maintenance supplies, machinery and equipment, sundries, and common necessities. In 2022, there was a total of 268 qualified suppliers, and the category and distribution are set out in the following table:



In 2022, the procurement amount of major raw materials (iron oxide, manganese oxide, zinc oxide, calcining pills, and carbon and silicon, which are raw materials of SiC) of the Company accounted for 64% of the annual total procurement. Considering possible raw material supply risks, the following countermeasures are adopted.

Category	Raw material risk			
Potential risk	Insufficient supply or suspension			
Strategy	Separate the sources	Regional distribution	Procurement strategy	Friendly exchange
Practice	Have two or more suppliers for iron oxide, manganese oxide, and zinc oxide	The location of suppliers of the same raw material shall be in different countries	Regularly analyze market development and establish safety stock based on the location of suppliers, procedures, and other factors	Arrange technical exchange and friendly visits with suppliers regularly and from time to time to reinforce the cooperating relationships between both parties

2.4.2 Supply chain management (GRI 2-6)

Support local procurement

The production base of the Company's core procedures is in Taiwan. With other similar conditions, the Company prioritizes local suppliers for procurement to establish long-term sustainable cooperating relationships.

In 2022, 48% of the amount for raw materials was attributed to local procurement, and 81% of the procurement amount for office supplies and parts and components are majorly attributed to SME suppliers in local Taoyuan region in the hope of facilitating local economy and achieve the purpose of energy-saving and carbon dioxide reduction through the reduction of transportation.

Local raw material procurement ratio from 2020 to 2022

Year	Ratio of local procurement (Taiwan)	Ratio of non-local procurement (import)
2022	48%	52%
2021	38%	62%
2020	41%	59%

Ratio of local office supplies and parts components procurement amount from 2020 to 2022

Year	Ratio of local procurement (Taoyuan region)	Ratio of non-local procurement (non-Taoyuan region)
2022	81%	19%
2021	85%	15%
2020	88%	12%

Supply chain management system (GRI 308-1、GRI 414-1)

The Company adopts quality, capacity, environmental protection, and occupational safety and health policies as the conditions, together with the long-term cooperation with excellent suppliers, to duly fulfill its corporate social responsibilities and delivers environmental protection and occupational safety and health policies and information to suppliers and contractors in accordance with ISO 14001, ISO 45001, and ISO 50001. Meanwhile, the Company complies with RoHS to reinforce the environmental protection and occupational safety and health performance of suppliers and enhance environmental protection education of engineering contractors to ensure the engineering safety of operations at the plant and jointly and duly perform risk management.

In response to the ISO 50001 energy management system certification of Taoyuan Plant, we introduced energy design procurement standards and supplier energy performance evaluation

report form. When procuring energy-consumption equipment, system, or facilities, apart from the functional requirements of the demanding department, specifications that comply with energy-saving designs are prioritized. The energy-saving performance of suppliers (i.e., whether a supplier is a green plant or whether it has an energy management system) is also included in the basis for supplier selection.

In addition, in response to the ISO 45001 occupational health and safety management system verification of Taoyuan Plant, for equipment purchase requests or engineering contracting, the demanding department shall inform suppliers of the substantial specifications of safety and health and confirm that the quoting supplier has understood the content of the specifications and signed and returned.

The Company learns the human rights management of suppliers via regular evaluations and audits and promotes ESG concepts. In the future, the Company plans to further include human rights as regular evaluation items.

The Company has established long-term strategic cooperating relationships with major raw material suppliers and established safety stock based on the location of suppliers, procedures, and other factors to ensure an uninterrupted supply chain.

To encourage suppliers to have continual optimization in order to allow the Company to obtain premium raw materials and services with appropriate volume and price in due course, the Company carries out monthly ratings of suppliers in terms of quality, delivery term, and level of cooperation and performs regular audits of suppliers each year. According to the Regulations for Supplier Evaluation of the Company, the supplier evaluation system of the Company is set out in the following table:

Supplier evaluation – survey of newly explored companies

The evaluation method is as follows:

1. Sample acceptance
 2. Price inquiry and price comparison in the market
 3. Rate a potential supplier based on the evaluation items in the "supplier evaluation report" and inspection items in the "regular environment and HSF system evaluation checklist" and occupational safety and health audit - "occupational safety and health system audit - regular evaluation checklist".
- Suppliers with a score ranging from 70 to 80 may submit improvement reports for review.
 - Suppliers with a score of 80 or above that comply with ISO 9001 verification are registered as qualified suppliers, and qualified suppliers shall enter into the "letter of ethical commitment".

Supplier rating – monthly anomaly management of qualified suppliers.

- To avoid risks arising from accidents or changes in the supply chain, the procurement department shall submit the "supplier monthly evaluation form" based on the quality (quality inspection anomaly) of deliveries by suppliers of the month, delivery term (the actual delivery day passed the delivery day on the P/O), level of cooperation, HSF management capacity, and other anomalies.
- The "supplier monthly evaluation form" allocates 50 points, 30 points, and 20 points to quality, delivery term, and level of cooperation (including HSF management capacity). In 2022, the "monthly supplier evaluation list" made for approximately 22 suppliers of crucial raw materials and auxiliary materials had no deficiency; a score of 100 was achieved.
- The evaluation results serve as a reference for the selection of suppliers and the basis for award and punishment in terms of procurement priority, procurement reduction, or no procurement of existing suppliers.
- Suppliers shall regularly provide HSF reports issued by an impartial third-party institution each year.
- When necessary, the Company may propose quality targets to suppliers to require suppliers to carry out quality control and improvement activities.

Supplier audit – regular annual qualified supplier evaluation

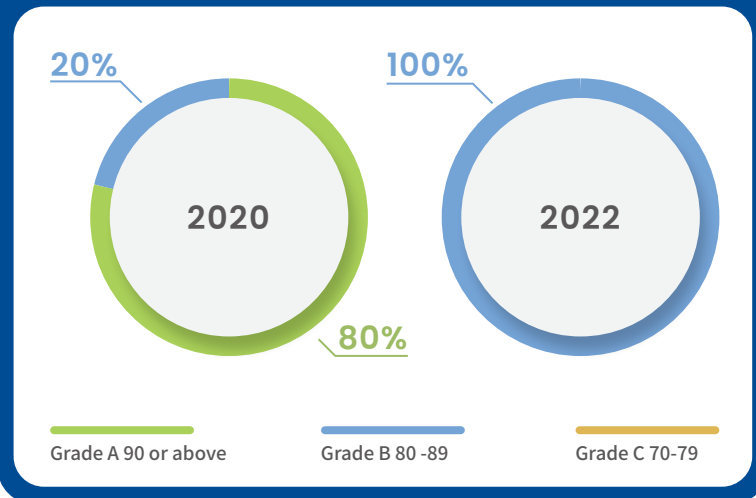
- The regular evaluation is divided into the evaluation of raw materials, auxiliary materials (excluding coating), coating, molds and jigs, and outsourced processing. Corresponding audit checklists are formulated based on the materiality of products delivered by suppliers, and the evaluation items are divided into the following:

1. System audit – "system evaluation – regular evaluation checklist"
2. Environmental protection audit – "environment and HSF system audit – regular evaluation checklist"
3. "Occupational safety and health system audit – regular evaluation checklist"

- The Company will form an evaluation team to carry out on-site evaluation of suppliers.
- Before February of the following year, the procurement department shall formulate the "regular evaluation checklists" for the following year based on the supplier evaluation reports and supplier development status and plan of qualified suppliers of the preceding year. Suppliers with transaction amount less than NT\$200,000 or RMB40,000 in the preceding year, suppliers who are parent company and subsidiaries, suppliers have no quality anomaly in the preceding year, and suppliers with no direct effects on product quality are exempted from the annual regular evaluation.
- After the regular evaluation, for premium suppliers rated A with a score of 90 or above, normal deliveries may continue; for suppliers rated B with a score ranging from 80 to 89, the current status may be maintained; for suppliers rated C with a score ranging from 70 to 79, require them to improve within a prescribed period and reduce the procurement; for unqualified suppliers with a score less than 70, immediately stop the procurement.
- In 2021, the annual supplier audit was expected to be performed for two suppliers. Due to the effects of COVID-19, the audit was delayed to 2022.
- In 2022, the annual supplier audit was expected to be performed for three suppliers; the audit was only completed for one supplier. Due to the effects of COVID-19, the procedure audit and system audit for one supplier were delayed to 2023. For another supplier, the visit is canceled as there have been no transactions temporarily.

Annual regular supplier audit results of ACME from 2020 to 2022

Year	Number of qualified suppliers	Number of suppliers being audited
2020	220	5
2021	245	0
2022	268	1



2.5 Customer services and product quality

2.5.1 Premium customer services

The R&D Center of the Company is mainly for new material development to provide services to customers in Taiwan and cooperate with new product development of customers locally. The Company also has subsidiaries in Jiangsu Kunshan region and Guangzhou Zengcheng region in China, and Ipoh in Malaysia to provide services to the neighboring production base of customers. Also, the Company has established its "Regulations for Customer Services" to visit customers from time to time and have effective interactions with customers via the ERP information management system and customers' transaction platforms so as to understand and satisfy customers' requirements.

Sales market

The major products of the Company are sold in Taiwan, China, Japan, Korea, Singapore, the Philippines, Malaysia, Thailand, Indonesia, India, the U.S., Mexico, Germany, France, and Russia.

Technical support

The Company is customer-oriented. All subsidiaries have their R&D centers to cooperate with customers in developing new applications and new products and provide customized product services. Meanwhile, the Company assigns R&D personnel to visit customers for material introduction and technical cooperation and exchanges from time to time and assigns sales and marketing personnel to participate in exhibitions abroad to explore customers in new markets.

Management approaches (GRI 3-3)

Sustainability principle: Business governance and value chain management

Strategic policy

Regularly learn and respond to customers' requirements and opinions via meetings/questionnaires to provide premium customer services.

Commitment

Reinforce product functions and improve services based on customer satisfaction analysis to improve the trust of customers in ACME's brand.

Management impact

positive/negative impact item : Continue the management follow-up in 2021.

negativity remedies and preventive measures : -

2022 Target : Customer satisfaction \geq 92 points

2022 Performance : Customer satisfaction \geq 92 points



Achieve the goal

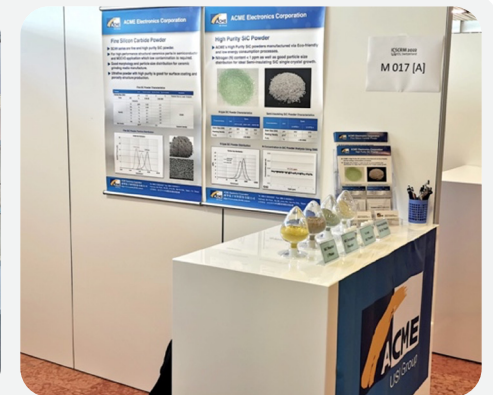
2023 Target : Customer satisfaction \geq 92 points

2025 Target : Maintaining customer satisfaction \geq 92 points

2030 Target : Maintaining customer satisfaction \geq 92 points



Electronica 2022



ICSCRM 2022 (International Conference on Silicon Carbide and Related Materials) in Switzerland Davos

The Company prints complete product catalogs and provides comprehensive and detailed material features and product specifications for customers to consider and select. The electronic file of our product catalog is placed in the "product exhibition" section on our website, allowing customers to check information related to products in time.

Customer privacy

To protect the safety of customers' data, the IT Division of USI Group has established the "General Principles for Information Security Management Policies", "System Development and Maintenance Specifications", "Guidelines for Launching Applications", "Guidelines for Database Management", and other specifications, and strengthened personal data protection to avoid leakage via reinforcing firewall management, access control, segregation of testing environments and actual operating environment, and de-identification of data including personal data.

In addition, the Company has established its "Regulations for Customer Property Management". to duly protect items provided by customers; for customers' intellectual property rights, the Company will sign non-disclosure agreements with customers. The Company understands and shall adopt necessary measures to protect business secrets acknowledged or held during the cooperating period and keep them confidential. Apart from the normal use for duties without the written consent of customers in advance, the Company shall not leak, inform, deliver, or transfer such business secrets to any third party, publish externally, or use such business secrets for oneself or third parties. When customers or owners of business secrets publish such business secrets or cancel their confidentiality, the Company is exempted from the confidentiality responsibility of such business secrets.

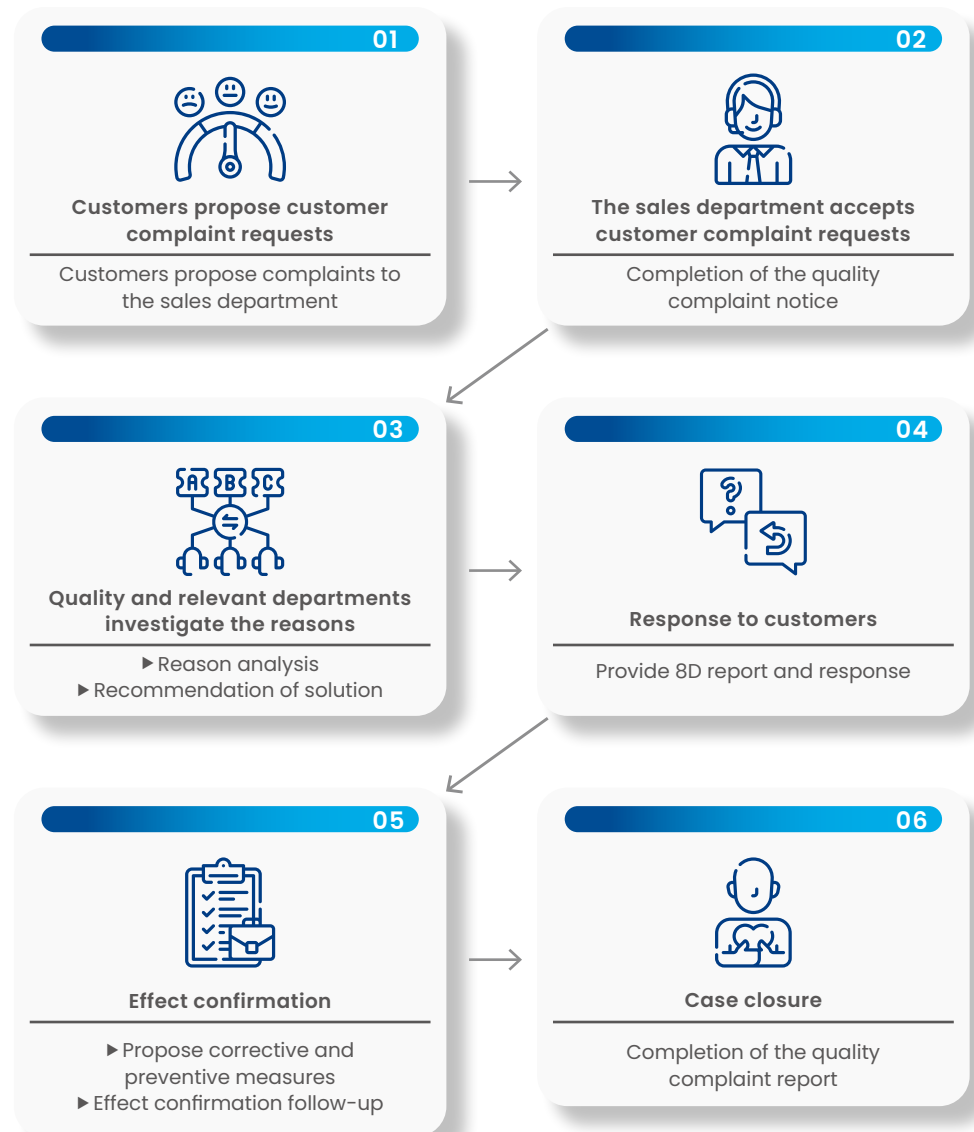
The Company complies with commitments to customers. While engaging in business activities, the Company ensures that the intellectual property rights and privacy of customers are respected; therefore, there was no complaint related to the invasion of customer privacy or damages to customers' property in 2022.

Handling customer complaints

The Company has established its "Regulations for Customer Quality Complaint Management". Customers may propose their complaints orally, via telephone, or in writing to the sales department. After the sales department has accepted the information, it shall immediately confirm the situation and reflect it to the quality department and other relevant departments. The quality department will initially analyze the reason for the issues, carry out examinations with relevant departments, and make responses to customers in time, and personnel will be assigned to handle customer complaints based on the requirements. Both parties will carry out question communication and examination, and a formal response will be provided to customers when the issues are clarified. If the quality department confirms the establishment of a material customer complaint case, it shall immediately notify the supervisors of quality departments of different plants, the management representative, and President via e-mail and include the case in the daily work report of the quality department and follow up and report the operating progress to maintain long-term and favorable cooperating relationships with customers.

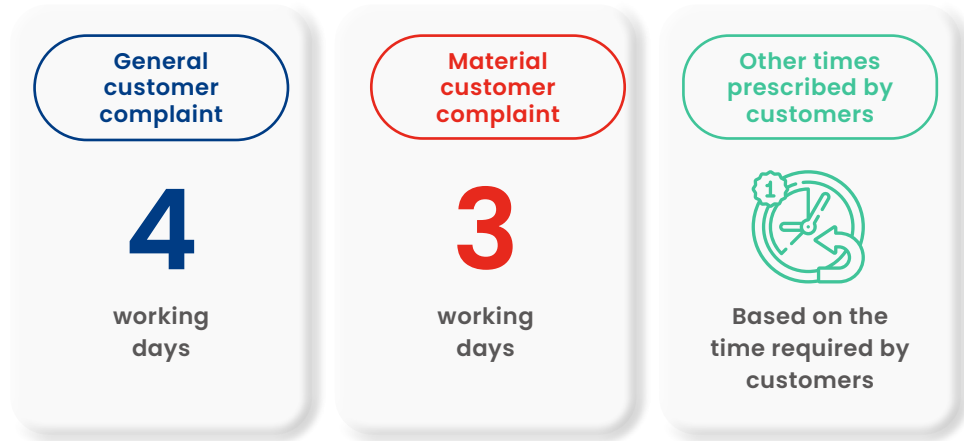
The Company has comprehensive customer complaint-handling procedures. The Company analyzes the reasons for customer complaints and follows up on the handling progress of corrective and preventive measures of relevant responsible departments via the electronic customer complaint sign-off system procedures, utilizes 8D improvement countermeasure report to analyze and solve customer complaints step by step, and makes proposals for discussions at weekly regular meetings of the quality department, and duly executes quality improvement activities to improve products' quality.

Customer quality complaint handling procedures



Note: 8D reports include the improvement team (D1) → issue description (D2) → emergency handling (D3) → verification of the actual reason (D4) → improvement measures for the reason for the failure in verification (D5) → long-term countermeasures (D6) → fool-proofing, horizontal expansion, and standardization (D7) → recognition of improvement achievements (D8).

Customer quality complaint handling deadline



Customer satisfaction

To fully understand the opinions of customers regarding products and services provided by the Company, apart from feedback via our website and telephone interviews or visits in person of our sales personnel from time to time. The Company organizes customer satisfaction surveys biannually to understand customers' requirements and feedback on issues via questionnaire surveys. We propose improvement plans based on customers' opinions and follow up on the execution results by convening the management review meetings so as to continue improving product and service quality.

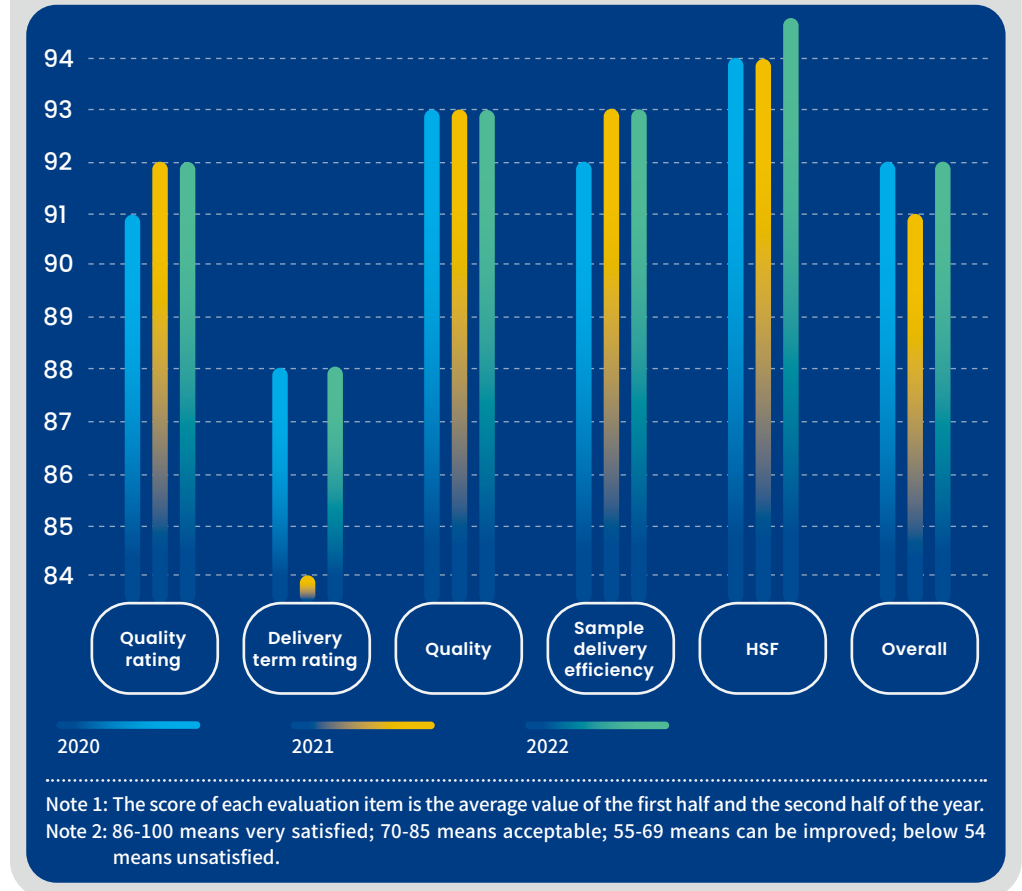
The sampling method for customer satisfaction surveys is to perform questionnaire surveys with the top 30 customers in terms of the transaction volume and newly explored customers with potential in Taiwan in the first half and the second half of each year in Taiwan, and the evaluation items include quality, delivery term, quality complaint improvement status, sample delivery efficiency, and HSF (hazard substances free) management.

In 2021, due to the effects of the pandemic, the supply chain was blocked due to the shortage of containers, port congestion, and labor shortage; the mark for the delivery term dropped to 84. In 2022, with the relief of the pandemic and supply chain blockage, together with the increase in the production capacity of the Company, spare materials and supplies were re-adjusted, and significant improvements were made to satisfy customers' requirements; therefore, the mark for delivery turn increased to 88.

In 2022, the average overall performance of customer satisfaction was 92. 96% of the customers said "Very satisfied", and the remaining said "acceptable," achieving the target value for 2022 (≥ 92).

The Company continued to commit to quality improvement and the provision of fast delivery and sample delivering services, which won the recognition of the majority of the customers and is beneficial for stabilizing and solidifying the current market and customer groups and beneficial for the development of new potential customers.

Year	Quality rating	Delivery term rating	Quality improvement	Sample delivery efficiency	HSF management	Overall performance
2020	91	88	93	92	94	92
2021	92	84	93	93	94	91
2022	92	88	93	93	95	92



Membership associations (GRI 2-28)

As a formal member of the Taiwan Electrical and Electronic Manufacturers' Association (TEEMA), the Company works with companies within the industry via the TEEMA to reinforce its influence and improve product development and customer services through the resources support of TEEMA.

2.5.2 Premium product quality

Management approaches (GRI 3-3)

Sustainability principle: Business governance and value chain management

Strategic policy

Quality services that amaze customers

Commitment

Meet six sigma criteria and continue to improve procedure capacity to achieve the highest customer satisfaction.

Management impact

Positive/negative impact item

Actual positive impact - appropriate supply chain management - increase in quality.
Positive potential impact - introduce AI and other advanced technologies - improve efficiency and quality.

Negativity remedies and preventive measures

-

2022 Target

1. Customer complaint cases: 0
2. Finished good RoHS qualification rate: 100%
3. Zero incident related to environmental safety and health regulations
4. Target number of 6 sigma project: 50 projects
5. Number of procedure improvement cases: 6 cases

2022 Performance

1. Six customer complaint cases (primarily poor liquidity of ferrite powder, two cases of poor texture, small SiC powder size, two cases of wrong label, and two cases of poor size of cores)
2. Finished good RoHS qualification rate: 100%
3. Zero incident related to environmental safety and health regulations: Not achieved
4. Target number of 6 sigma project: 46 projects (primarily due to the failure to complete within the deadline as partial personnel transferred to other departments and busy working)
5. Number of procedure improvement cases: 6 cases

 Not achieve the goal

2023 Target

1. Customer complaint cases: 0
2. Finished good RoHS qualification rate: 100%
3. Zero incident related to environmental safety and health regulations
4. 6 sigma certification rate: 100% (new engineers)
5. CIP project improvement: 42 projects (CIP: Continuous Improvement Process)
6. Number of procedure improvement cases: 6 cases

2025 Target

1. Customer complaint cases: 0
2. Finished good RoHS qualification rate: 100%
3. Zero incident related to environmental safety and health regulations
4. 6 sigma certification rate: 100% (new engineers)
5. CIP project improvement: 45 projects
6. Number of procedure improvement cases: 6 cases

2030 Target

1. Customer complaint cases: 0
2. Finished good RoHS qualification rate: 100%
3. Zero incident related to environmental safety and health regulations
4. 6 sigma certification rate: 100% (new engineers)
5. CIP project improvement: 48 projects
6. Number of procedure improvement cases: 6 cases

To satisfy customer's quality requirements, all products of the Company comply with RoHS, REACH (SVHC), and no conflict mineral regulations; therefore, shipping packages have RoHS labels. The Company has also passed the quality, energy, and environmental safety and health management system verification of ISO 9001, IATF 16949, ISO 14001, ISO 50001, ISO 45001, and ISO 14064-1.

Taoyuan Plant carries out inspections based on the specifications of raw and auxiliary materials and operating standards of raw and auxiliary materials upon the incoming of raw materials and packaging materials, including confirming suppliers' testing reports, LOI test, water content test, and restricted substance XRF (X-ray fluorescence) inspection. The on-site personnel of the procedures continue to carry out self-inspection. The test of physical and electrical, content proportion, RoHS, and halogen will be performed for each batch of finished ferrite powder.

The Company has a product identification and tracking management system. Products of different materials are numbered based on the batch number of ferrite powder for the benefit of product tracking. In addition, all engineering change requests (ECR) and engineering change notices (ECN) of the Company are managed and reviewed on the online electronic system to allow transparent product information; all business locations can concurrently understand the change history of products.

To implement the operation of the internal quality audit system, the Company carries out weekly production procedure audits, product audits, and cross-plant ferrite powder quality meetings. The R&D and engineering departments executed a total of 367 quality R&D project improvements and procedure technology improvements in 2022; there was one improvement proposed by an employee. The Company convenes two management review meetings each year for examinations and executes two times of ISO 9001 and IATF 16949 management system procedure audits, one ISO 14001 environmental management system audit, ISO 50001 energy management system audit, and ISO 45001 occupational safety and health management system audit each year to ensure that the management systems are effectively operating.

To further ensure that the Company's products comply with international regulations and customers' environmental protection specifications and requirements, the Company sample check products of different materials and submit them to an impartial third-party department; the testing instruments shall have level 2 laboratory instrument calibration. Therefore, the Company did not violate regulations related to product information and labeling in 2022.



3

Resource recycling and environmental friendliness

3.1 Resources, materials, and recycling management	<u>46</u>	3.2 Climate change and energy management	<u>52</u>
3.1.1 Raw material input and recycling	<u>46</u>	3.2.1 Climate change	<u>52</u>
3.1.2 Governance structure	<u>47</u>	3.2.2 Energy management	<u>55</u>
3.1.3 Governance structure	<u>49</u>	3.2.3 GHG management	<u>59</u>
		3.2.4 Implementation of energy-saving and carbon dioxide reduction	<u>60</u>
		3.3 Air pollution control and management	<u>62</u>

The Company focuses on the business approach that merges with natural environments and is aware that corporate operation will cause environmental burden on earth; therefore, the Company adopts the same standards and targets at all business locations to solve the problem of co-existence between the environment and economy and implements the Company's environmental protection policies to contribute to a sustainable society.

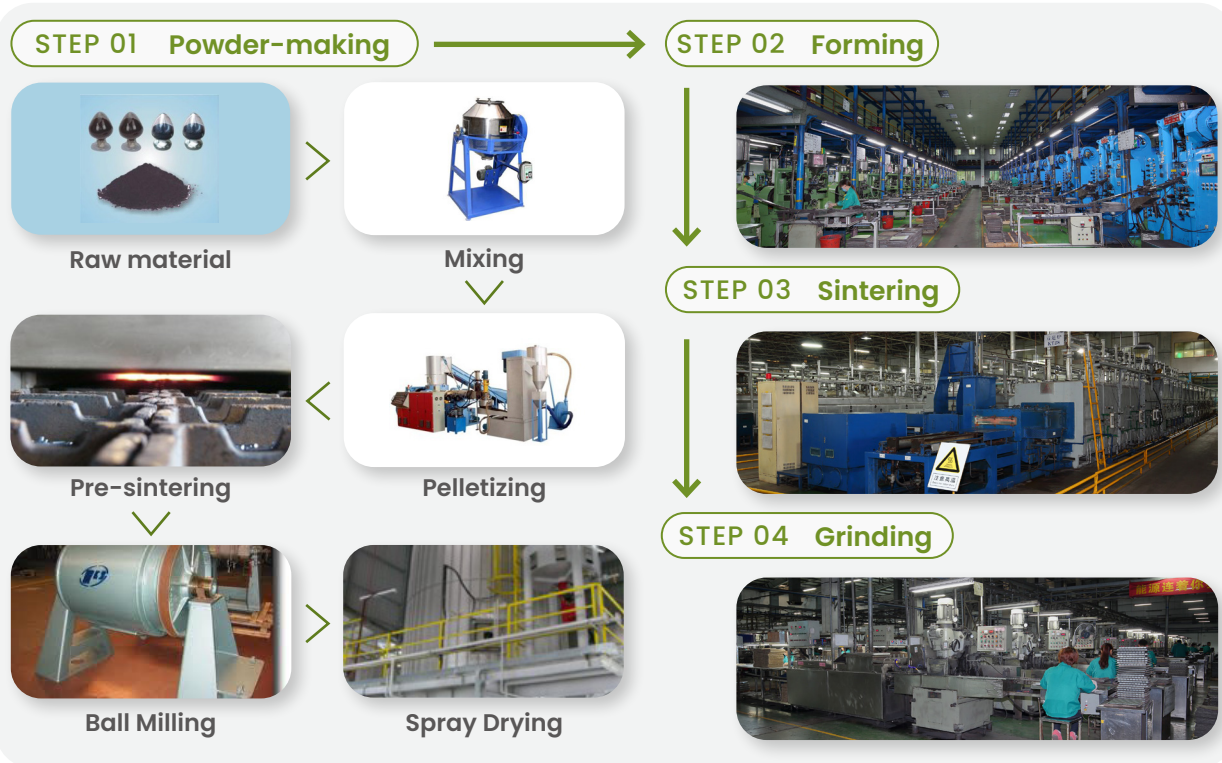
Taoyuan Plant, Guangzhou Plant, and Kunshan Plant have established the ISO 14001 environmental management system, and Taoyuan Plant has established the ISO 50001 energy management system to provide favorable environmental protection structures for all plants, control and reduce impacts on the environment, prevent accidents that cause environmental impacts, and ensure the legal compliance.

Corporate activities in the past were primarily based on the QCDS (quality, cost, delivery term, and service) concept. Since the emergence of environmental protection topics, the initial concept transformed into the "QCDS+E (environment)" model to align with the increasing environmental protection awareness. We consider that environmental protection activities shall be closely combined with corporate management instead of managing separately; therefore, the Company's environmental management adopted this as the basic concept and deems the environmental as an important part of product quality and made full implementation.

In other words, the production procedures of the Company's products are based on environmental protection; therefore, from R&D, raw material procurement, production of products, delivery, use, and to recycling and reuse, all parts in the product's "lifecycle" are closely linked to environmental protection topics.

The production procedures of "soft ferrite powder," the major product of the Company, are divided into powder-making, forming, sintering, and grinding stages. Taoyuan Plant is primarily responsible for powder-making. After production, the powder is delivered to two plants in Mainland China for forming, sintering, and grinding.

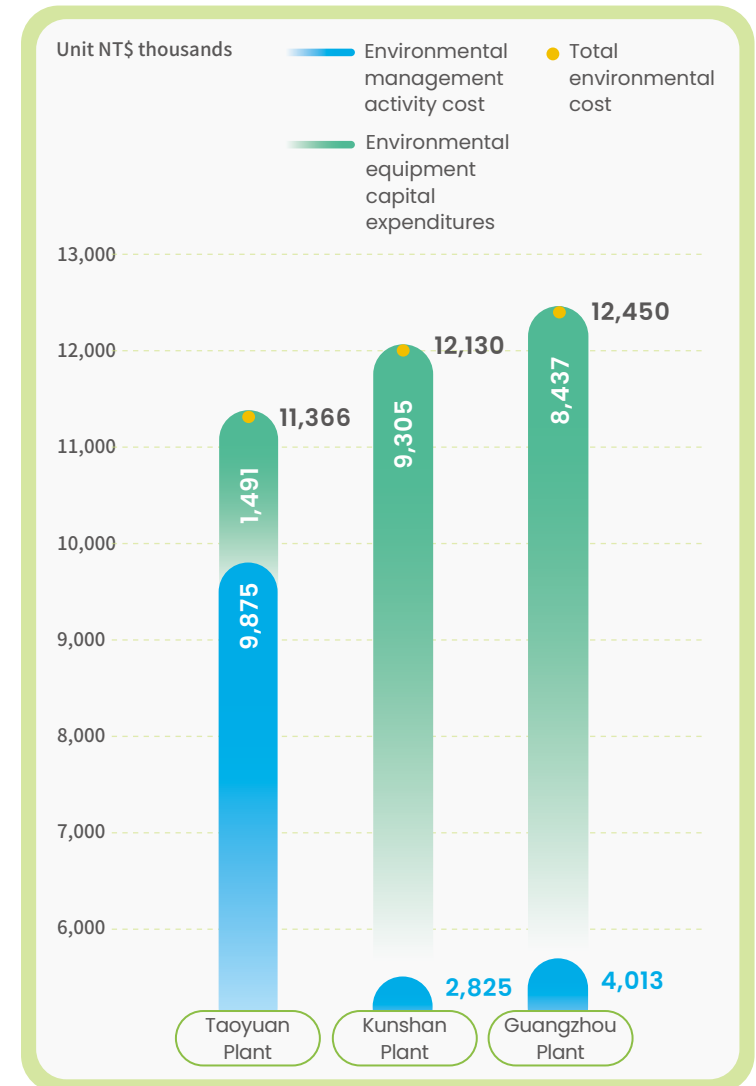
軟性鐵氧磁鐵芯製程



The raw material and energy input and product and waste output in 2022 are disclosed in detail in subsequent chapters.

The total environmental cost of Taoyuan Plant, Kunshan Plant, and Guangzhou Plant totaled NT\$35,946 thousand in 2022.

Kunshan Plant and Guangzhou Plant were primarily for installing VOCs waste gas processing facilities and room temperature catalysis facilities to solve the odor generated during sintering procedures; for details, please refer to 3.3 Air pollution control and management. The environmental management activity cost increased for Taoyuan Plant due to cleaning and tidying the plant for its application for the bonded warehouse.



3.1 Resources, materials, and recycling management

Management approaches (GRI 3-3)

Sustainability principle: Resource recycling and environmental friendliness

Strategic policy

Actively promote waste reduction and recycling-related measures and provide bonuses to proposal of improving the resource management performance

Commitment

Adopt resource circulation as the core and set the target as waste recycling rate > 99%

Management impact

Positive/negative impact item

Potential positive impact - actively seek substitute raw materials and reduce the use of high-pollution raw materials.
Actual negative impact - price increase in raw materials and freight - increase in costs.

Negativity remedies and preventive measures

Adopt resource circulation as the core and improve recycling rate.

2022 Target : Waste recycling rate > 99%

2022 Performance : 99% waste recycling rate  **Achieve the goal**

2023 Target : Waste recycling rate > 99%

2025 Target : Waste recycling rate > 99%

2030 Target : Waste recycling rate > 99%

3.1.1 Raw material input and recycling (GRI 301-1、301-2)

Major raw materials and recycling

The major raw materials of the soft ferrite powder produced by Taoyuan Plant are zinc oxide, manganese oxide, iron oxide, and calcining pills that are made by mixing such three oxides based on a certain proportion, granulated, and calcined. Bulk auxiliary materials used during the manufacturing process of the product are bismuth trioxide, PEG, PVA, defoamers, and dispersants. The two plants in Mainland China perform the post-processing by using ferrite powder, and the manufacturing process makes use of zinc stearate, cutting fluid, zirconia, and other auxiliary materials.

Approximately 40% of the iron oxide used by the Company is recycled scrap procured from steel plants. In addition, dust collectors are installed for the procedures to collect the dust powder during the procedures for reuse to achieve the recycling spirit of resource recycling. In 2022, the production volume was reduced; however, the recycling volume of dust powder increased by 101 tons to 1,612 tons from 2021, and the ratio of the production volume increased from 12% in 2021 to 15%.

Dust powder recycling of ACME from 2020 to 2022

	Year	Dust powder (ton)	Ratio to production volume
Taoyuan Plant	2020	751	10%
	2021	1,511	12%
	2022	1,612	15%

All raw material metals of the Company complied with DRC Conflict-Free, and the Company did not use minerals from the Democratic Republic of the Congo that are recognized as not complying with the conflict-free specifications by the United Nations Security Council.

Consumption volume of major raw materials of ACME from 2020 to 2022

Unit: Ton

	Year	Zinc oxide	Manganese oxide	Iron oxide	Calcining pills
Taoyuan Plant	2020	780	1,320	4,982	196
	2021	1,220	2,940	8,245	842
	2022	1,420	1,580	7,880	573

Consumption volume of bulk auxiliary materials of ACME from 2020 to 2022

Unit: Ton

	Year	Bismuth trioxide	PEG	Defoamer	PVA	Dispersant
Taoyuan Plant	2020	1.0	3.4	3.8	63	25
	2021	1.3	5.7	6.4	100	41
	2022	1.1	5.4	5.9	98	39
	Year	Zinc stearate	Cutting fluid	Zirconia		
Kunshan Plant	2020	10.7	12	2.5		
	2021	18.8	3	3.6		
	2022	12.0	3	1.9		
Guangzhou Plant	2020	11.6	8	3.8		
	2021	16.2	25	5.0		
	2022	16.7	24	4.8		

Packaging material recycling (GRI 301-3)

The ferrite powder of the Company is packed in flexible freight bags and delivered to the two plants in Mainland China. For ferrite core products, except for the external carton, there are also cushion materials, bubble wraps, and EPE foam bags.

Guangzhou Plant recycles flexible freight bags and delivers them back to Taoyuan Plant at once for recycling. In 2022, the recycling ratio of flexible freight bags was 33%. Kunshan Plant did not recycle flexible freight bags; however, it plans to start recycling in 2023. The flexible freight bags not recycled are used by both of the plants in Mainland China to package scraps (waste sludge, waste powder, waste raw ferrite core and waste iron), and the remaining portion is sold to local recycling companies.



3.1.2 Water resources management

Water resources have been reduced due to climate changes and global warming, which is another material environmental impact faced by humans at present. Based on the concept of effective use of water resources and sustainable corporate operations, the Company continues to promote water conservation measures and promotes water-saving concepts to employees to reduce water consumption.

The source of water of Taoyuan Plant is Shimen Dam and the water used in the plant is tap water. In 2022, the production volume was reduced; however, the water consumption increased by 10,529 tons (27%) from 2021, primarily due to the loss of water resulting from equipment malfunction in April and June. Subsequently, the maintenance department has paid close attention to the validity of on-site equipment to avoid the waste of water resources.

The major use of water for two plants in Mainland China is product cleaning during grinding processing. Products of Guangzhou Plants are lighter, thinner, shorter, and smaller as compared to those of Kunshan Plant; therefore, the water consumption per unit product is higher.

Guangzhou Plant was established in 2005, and the production area and living area are in the same site. Its water consumption and sewage discharge volume include production and living. The water supply pipeline net (iron pipe) is buried in the ground, and the useful life has reached 17 years. As the pipeline net is deeply buried in the ground, it is hard to discover water leakage; therefore, in 2021, the water consumption of the plant increased by 22,905 tons in the case of less production.

To reduce water leakage, the short-term countermeasures include:

- 01 Regular patrol inspection**

Carry out regular and comprehensive patrol inspection based on the route of the underground pipelines and make immediate repairs when discovering any leaking spot.
- 02 Data analysis**

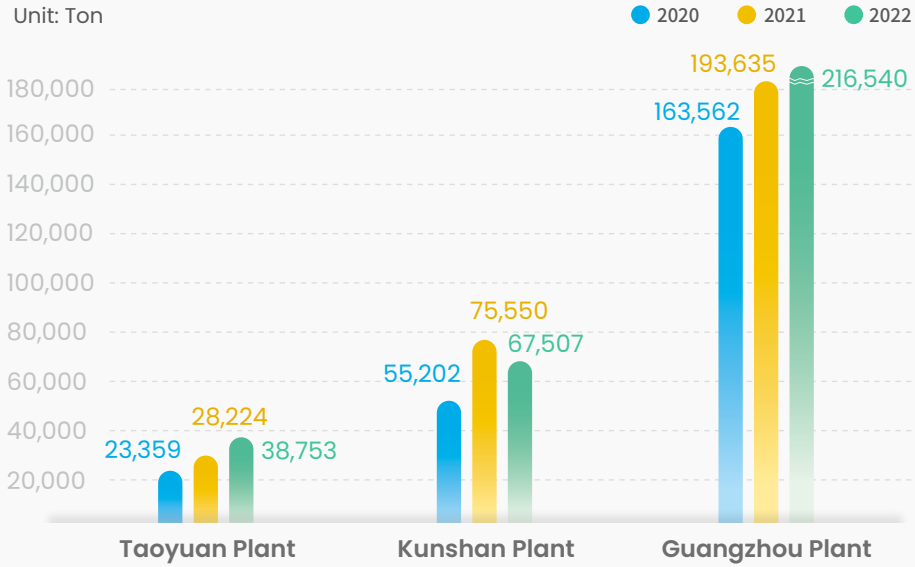
Combine the production status and living circumstances and regularly conduct comparison analysis of water consumption data; when the data changes have larger differences, find the reason and carry out improvements.
- 03 Pipeline net detection**

Evaluate the commission of a professional institution to carry out comprehensive leakage detection for the entire pipeline net and make immediate repairs when discovering any leaking spot.

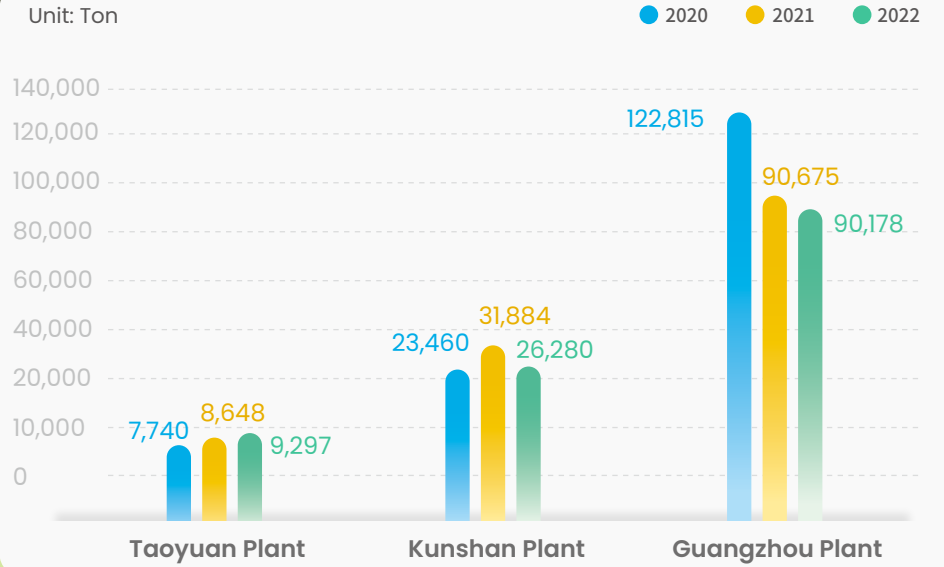
As the useful life of the underground pipeline net has reached 17 years, if the short-term regular patrol inspection, data analysis, and pipeline net detection show that the pipeline net is severely eroded and is unable to effectively stop leakage, the Company will replace it entirely.

Water consumption and wastewater discharge volume of ACME from 2020 to 2022

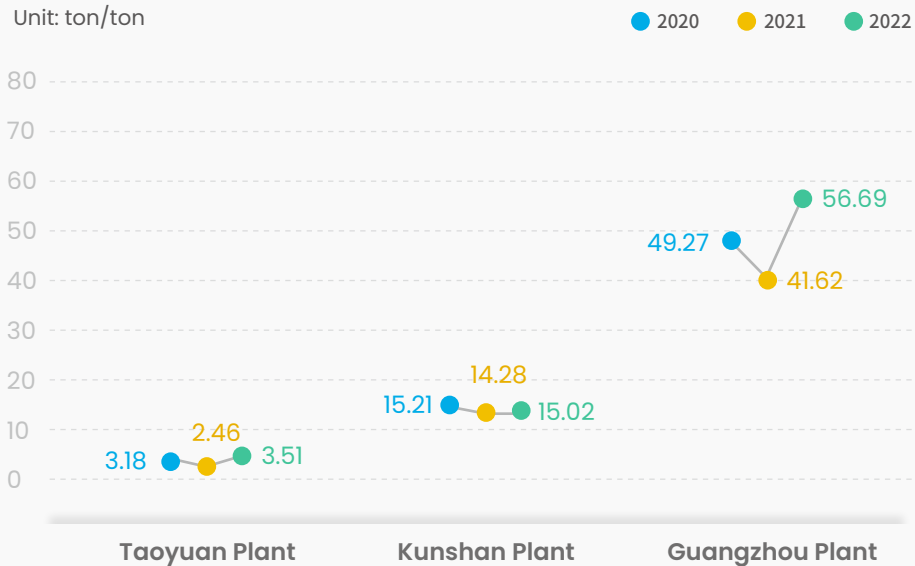
Water consumption



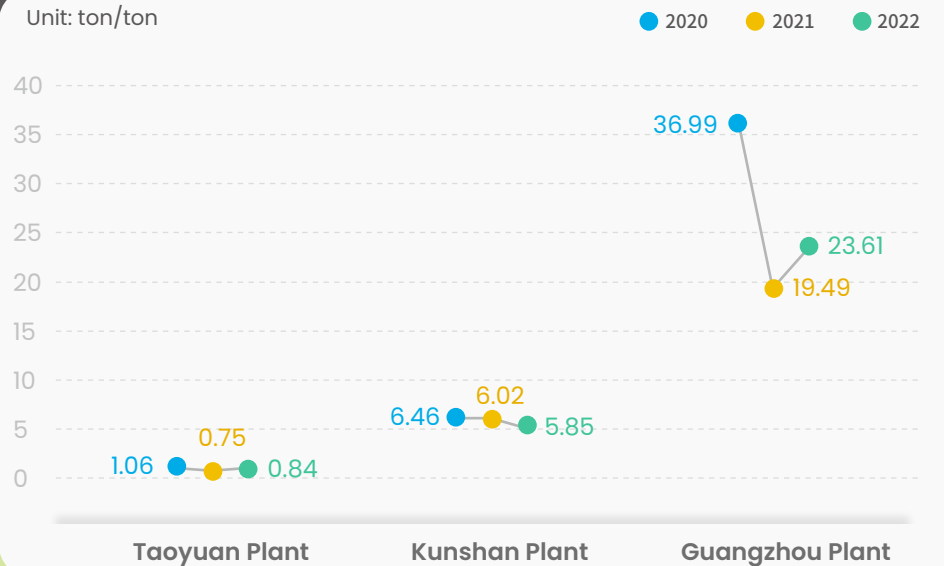
Wastewater discharge volume



Water consumption per unit product



Wastewater discharge volume per unit product



In terms of wastewater recycling, RO water is used in the procedures of Taoyuan Plant; therefore, tap water is required to be processed in advance to become RO water before being used in the procedures. During the processing process, approximately 60% of the tap water is transformed into RO water, and approximately 40% of tap water becomes wastewater that is recycled for use. In 2022, the RO wastewater recycling volume was approximately 11,626 tons. Recycled wastewater may be used in scrubber tower the water for domestic use for employees, and on-site cleaning. We continue to reduce the water replacement frequency of scrubber tower circulation to further achieve the purpose of water-saving from the user end. Guangzhou and Kunshan Plants have no wastewater recycling.

Regarding wastewater processing and discharge, Taoyuan Plant has obtained the "water pollution control measures" and discharge permits approved by the competent authority and installed and operated wastewater processing facilities according to the requirements of the discharge permit to avoid water pollution. The volume and quality of effluents are regularly tested and reported to the competent authority; the testing results comply with the standards and are significantly lower than the effluent limit. Taoyuan Plant is within Guanyin Industrial Park. Wastewater is collected and discharged to the sewage work of Guanyin Industrial Park, and the sewage work of the industrial park will further process the water and ensure that the water quality complies with the discharge standards; therefore, the discharges of Taoyuan Plant will not have material impacts on the biodiversity in water.

Taoyuan Plant is located at the northeastern corner of Guanyin District, Taoyuan, neihing Taiwan Strait, and located between Daku Creek and Fulin Creek. The location possesses habitat diversity (i.e., Guantang algal reef is protected species). The Company cooperates with the zone defense organization of Guanyin Industrial Park to jointly protect natural ecology for environmental protection.

Water used in production and water of domestic use of Kunshan Plant approximately account for half of the total water consumption, respectively. Water used in the production of Kunshan Plant is all recycled, and there is no production wastewater discharged. Domestic wastewater is connected to pipelines that discharge to the designated sewage work according to the environmental impact assessment report.

Guangzhou Plant implements rainwater and sewage shunting. Production wastewater and domestic wastewater are collected at the self-built sewage processing stop for in-depth processing after initial sedimentation. Once the water quality achieves the "wastewater quality standards for discharge to municipal sewers," it is discharged into the municipal sewers, which will be collected at the Licheng Sewer Work for further processing.

Effluent testing results of ACME in 2022

Unit: mg/L

Plant	testing item	SS	COD
Taoyuan Plant	Discharge limit	480	560
	Actual discharge limit	55	146
Kunshan Plant	Discharge limit	400	500
	Actual discharge limit	7	13
Guangzhou Plant	Discharge limit	400	500
	Actual discharge limit	10	30

Source: Effluent testing reports. Taoyuan Plant adopts the average value of the two testing results each year. The test frequency of Kunshan and Guangzhou Plant is once a year, and the results are one-time test values.

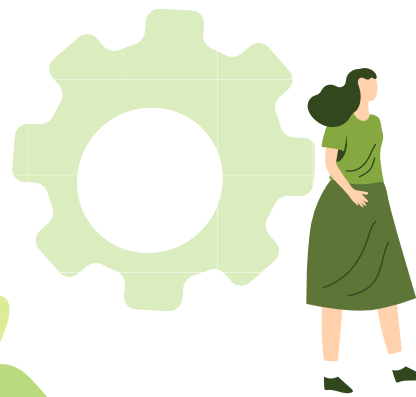
3.1.3 Waste reduction and recycling

(GRI 306-1、306-2、306-3、306-4、306-5、RT-EE-150a.1)

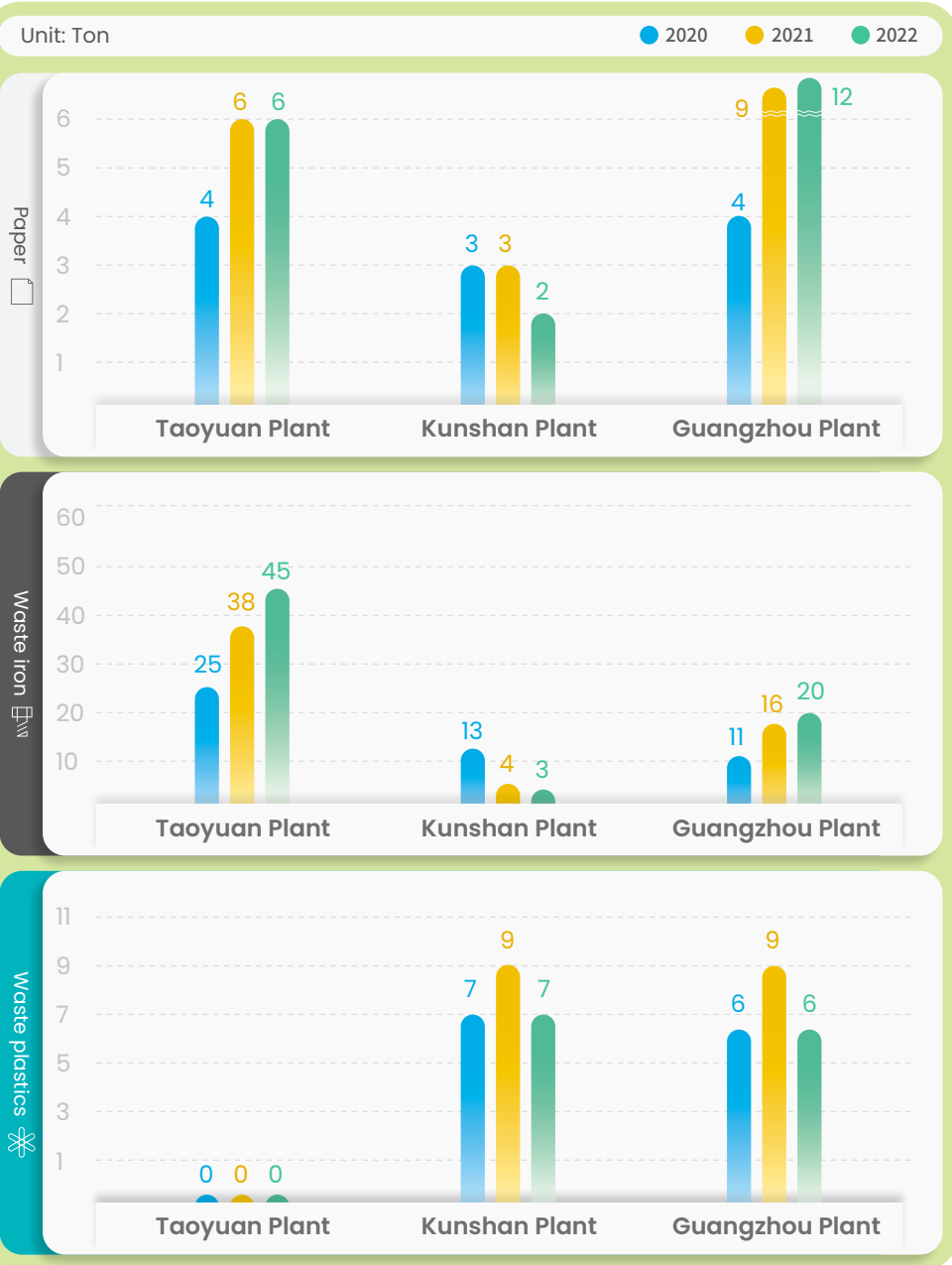
The concept of waste reduction is majorly implemented in product designs and procedure improvements to prevent the output of waste.

Wastes generated by the Company are duly kept according to relevant requirements. The Company also highly promotes classification and engages qualified clearing companies to duly process the wastes via incineration, burying, physical approach, or chemical approach based on the category and features of wastes. The Company does not import toxic industrial waste or export toxic industrial waste to foreign countries.

The plants recycled wastes that can be recycled or reclaimed for use or be sold. In 2022, Taoyuan Plant, Kunshan Plant, and Guangzhou Plant have recycled and reused or sold of a total of 20 tons of waste paper, 68 tons of waste iron, and 13 tons of waste plastics.



Recycling and reuse volume of ACME from 2020 to 2022



Taoyuan Plant generated a total of 560 tons of business waste in 2022. 98 tons of general business wastes incinerated are primarily domestic trash; 410 tons of general business wastes recycled were primarily inorganic sludge and dust; the recycling rate of business wastes is 81%. In 2022, the production volume reduced. However, as Taoyuan Plant applied to become a bonded warehouse in 2022, the space was re-arrange to clear space, and the waste generation and clearing volume increased. Toxic industrial wastes are generated from the procedures of SiC products under the new business. In 2022, the annual production volume increased, and the waste output volume materially increased.

The general business wastes recycled by the two plants in Mainland China are primarily grinding sludge generated from grinding processing procedures; the recycling company may remake the powder and produce low-end ferrite core products. As it is not processed regularly at a fixed amount, there are larger changes in the processing volume during the three years.

Waste processing volume of ACME from 2020 to 2022

Unit: Ton

Taoyuan Plant

Classification	Ultimate processing method	2020	2021	2022
General business waste	Incineration	46	77	98
	Burying	0	0	0
	Recycled (Note)	171	268	410
Toxic Industrial Waste	Incineration	0	0	0
	Burying	0	0	0
	Recycled	11	10	52

Kunshan Plant

Classification	Ultimate processing method	2020	2021	2022
General business waste	Incineration	0	0	0
	Burying	0	0	0
	Recycled (Note)	527	223	1,065
Toxic Industrial Waste	Incineration	0	0	0
	Burying	0	0	0
	Recycled	3.9	3.4	1.4

Note: As it is not processed regularly at a fixed amount, there are larger changes in the processing volume during the three years.

Guangzhou Plant

Classification	Ultimate processing method	2020	2021	2022
General business waste	Incineration	0	0	0
	Burying	0	0	0
	Recycled ^(Note)	1,366	595	669
Toxic Industrial Waste	Incineration	6.6	15.2	5.2
	Burying	0	0	0
	Recycled	7.0	0	3.5

Note: As it is not processed regularly at a fixed amount, there are larger changes in the processing volume during the three years.

Not including domestic waste processed via incineration, in 2022 the overall waste recycling rate was 99%; the target was achieved.

In 2022, as Guangzhou Plant sold the grinding sludge to companies directly after water removal without implementing the mixing and sintering procedures according to the environmental impact assessment procedures, the Guangzhou City Environment and Ecology Bureau found out that the grinding sludge was not recycled according to the environmental impact assessment and imposed a fine of RMB371,000.

Guangzhou Plant has completed the improvement measures. It produces soft ferrite granular through water removal, mixing, sintering for selling. CCTVs are installed at the processing site, and the processing documents are kept.



01 Setting still

After the water is removed from the grinding sludge, it shall be set still in the temporal warehouse for a certain period before post-processing.



02 Mixing and sintering

Complete mixing and sintering according to the intermittent of the production schedule.



03 Product (soft ferrite granular)



Pack in bags for storage and sales.

3.2 Climate change and energy management

Management approaches (GRI 3-3)

Sustainability principle: Resource recycling and environmental friendliness

Strategic policy

Establish the ISO 50001 energy management system to improve energy consumption efficiency through improvements in energy-saving measures and energy performance indicator monitoring and voluntarily perform inventory and monitor GHG emissions. Comply with the voluntary GHG reduction commitment, comply with regulations, and analyze the risks and opportunities of climate change to reduce the financial loss arising from production operations due to climate change.

Commitment

Cooperate with the Energy and Resource Management Department of the Group to examine the energy-saving and carbon dioxide reduction plans of the plants on a yearly basis

Management impact

Positive/negative impact item

Actual positive impact - invest in renewable energy - reduce carbon emissions and improve industrial competitiveness.
 Potential positive impact - invest in renewable energy - achieve green power targets.
 Actual negative impact - rising energy expenses - upward adjustment of power bills.
 Actual negative impact - insufficient power supply - production interruption.
 Potential negative impact - carbon Fee imposition - increase in production costs.

Negativity remedies and preventive measures

Cooperate with the Group to examine the energy-saving and carbon dioxide reduction plans of the plants on a yearly basis.
 Carry out green power strategic planning and execution and install solar power generation equipment in plants.

2022 Target

Carbon dioxide reduction: 2,585 tCO₂e.

2022 Performance

Guangzhou Plant and Kunshan Plant initially expected to install solar power generation equipment in 2022, which was delayed to 2023 due to other causes. The actual carbon dioxide reduction volume was 359 tCO₂e, merely achieving 14% of the carbon dioxide volume initially set.

 Not achieve the goal

2023 Target

Carbon dioxide reduction: 1,918 tCO₂e.

2025 Target

Continue to save energy and reduce carbon dioxide and increase the use of green power.

2030 Target

The carbon emission volume decreased by 27% from 2017 to 2030.

3.2.1 Climate change (GRI 2-23、2-24)

Climate change is a challenge faced by the entire globe. To connect to international standards and comply with the sustainable development requirements, the Legislative Yuan in Taiwan passed the "Climate Change Response Act" at the third reading on January 10, 2023.

Facing the effects of climate change, carbon dioxide reduction has become a target of joint efforts worldwide. To reinforce carbon dioxide reduction, USI Group has established the carbon dioxide target, "the carbon emission volume decrease by 27% from 2017 to 2030", by 2030 at the beginning of 2022 and actively promotes corresponding responding strategies and management systems. Nine domestic core production plants of the Group (including Taoyuan Plant of the Company) continue to implement ISO 14064-1 GHG inventory and inspection and plan for the execution of carbon dioxide reduction plans. The Group also actively develops external renewable energy farms. As of the end of 2022, the cumulative grid combination capacity of solar power farms reached 5.9MW.

The Company utilizes the structure provided in the Task Force on Climate-related Financial Disclosures (TCFD) to identify climate-related risks and opportunities, evaluate risks and opportunities of different departments, evaluate financial effects and set responding plans, and plan for reactivating the complete evaluation every three years. The updates are also examined each year, and the latest evaluation was completed in 2021. (GRI 201-2)

Climate change management framework

Governance

Business management meeting

Chaired by the Chairman, the meeting carries out promotion planning and reports achievements regarding material policies related to energy-saving and carbon dioxide reduction from time to time.

Quarterly meeting of the Predictive Maintenance & Environmental Risk Management Division of the Group

The Division is the highest department for the execution of energy management of USI Group. The Division report to the Chairman quarterly regarding promotion planning, progress, and decision-making.

Green power taskforce of the Group

The taskforce is the dedicated department for the promotion of green power of the USI Group, and it reports to the Chairman regarding the development progress and future plans of green power.

Strategy

Identify risks and opportunities

The companies shall identify material items based on the probability and impact according to the risk and opportunity items.

Evaluate the potential financial impacts

Carry out potential financial impact evaluations based on the material risks and opportunities identified.

Scenario analysis

Make a setting based on the possibility of achieving carbon neutrality based on different scenarios.

Risk Management

Introduction of TCFD

Adopt the TCFD structure to identify risks and opportunities and communicate with the responsible department; the senior management shall confirm.

Report of the identification outcome

Include into the risks management evaluation items of the Company. The President shall report to the Audit Committee and the Board regarding the control measures and management operations each year.

Indicators and Targets

Group carbon reduction target

Set 2017 as the base year and reduce the carbon emissions by 27% from the base year to 2030.

Climate response strategy

Replace old equipment, install renewable energy equipment, optimize production schedules, and adopt building A/C planning, energy management system, and extreme climate emergency response plan.

GHG emissions disclosures

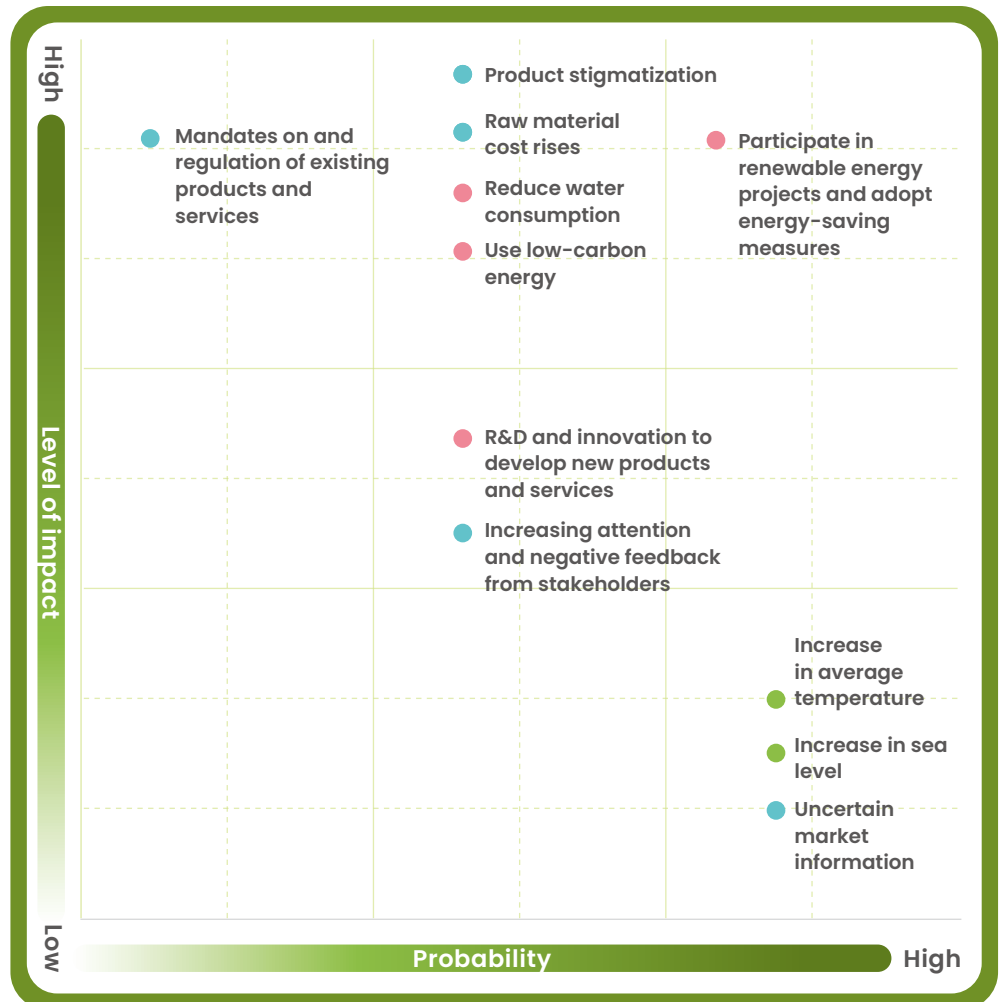
Disclose the scope 1 and scope 2 emissions data in the sustainability report each year and regularly examine the reason for the increase or decrease.

Identification of climate risks and opportunities (GRI 201-2)

Effects on operations caused by climate change have been intensifying. The Company cautiously faces any possible risks and grasps possible new business opportunities. In recent years, the Company has been actively implementing energy-saving and carbon dioxide reduction improvement plans, carrying out production capacity improvements, and replacing equipment with highly effective energy-saving equipment without sparing any effort. We adopted the TCFD approach during the course of operation to identify seven major risks and four major opportunities and evaluate the timing of the impact for distinction. In the future, we will examine the response practices on a yearly basis to establish a resilient climate change culture.

Climate-related risks and opportunities matrix of ACME

● Physical Risks ● Transformation Risk ● Opportunities



Identification results of climate change risk and opportunity items by occurrence time

● Physical risk ● Transformation Risk ● Opportunities

Short-term (< 3 years)	Mid-term (3 to 5 years)	Long-term (> 5 years)
<ul style="list-style-type: none"> ● Raw material cost rises ● Mandates on and regulation of existing products and services ● Uncertain market information ● Reduce water consumption ● R&D and innovation to develop new products and services 	<ul style="list-style-type: none"> ● Increase in average temperature ● Product stigmatization ● Increasing attention and negative feedback from stakeholders ● Participate in renewable energy projects and adopt energy-saving measures ● Use low-carbon energy 	<ul style="list-style-type: none"> ● Increase in sea level

Potential financial implications of risks and opportunities and countermeasures (GRI 201-2)

Type	Climate Related risk/opportunities	Potential financial implication	Description	Countermeasure
Physical risk	Increase in sea level	<ul style="list-style-type: none"> • Increase in operating cost • Increase in capital expenditure • Decrease in asset value 	<ul style="list-style-type: none"> • In the initial period, focus on dredging of sewers and the increase in water discharge capacity; in the mid-to-long-term, block up the infrastructure of houses and carry out relocation evaluations. 	<ul style="list-style-type: none"> • Lift the base of crucial equipment • Add blood control water discharge measures • Potential inundation evaluation of the field of newly established equipment
	Increase in average temperature	<ul style="list-style-type: none"> • Increase in operating cost • Increase in capital expenditure 		
Transformation risk	Product stigmatization	<ul style="list-style-type: none"> • Increase in operating cost • Decrease in asset value • Decrease in operating revenue 	<ul style="list-style-type: none"> • Improve the communication with stakeholders and increase the investments in ESG 	<ul style="list-style-type: none"> • Accelerate the transformation and develop green energy products • Invest in green energy equipment and use green products
	Increasing attention and negative feedback from stakeholders	<ul style="list-style-type: none"> • Increase in operating cost • Decrease in asset value • Decrease in operating revenue 		

Type	Climate Related risk/opportunities	Potential financial implication	Description	Countermeasure
Transformation risk	Raw material cost rises	<ul style="list-style-type: none"> • Increase in operating cost 	<ul style="list-style-type: none"> • Improve raw material supply management and continue to seek new suppliers 	<ul style="list-style-type: none"> • Establish a safety stock and perform regular examinations • Ensure the stable supply of raw materials • Keep abreast of the changes in the market to serve as the material purchasing strategies
	Uncertain market information	<ul style="list-style-type: none"> • Increase in operating cost • Increase in capital expenditure 		
	Mandates on and regulation of existing products and services	<ul style="list-style-type: none"> • Increase in operating cost • Increase in capital expenditure • Decrease in asset value 		
Opportunities	Reduce water consumption	<ul style="list-style-type: none"> • Reduce operating cost 	<ul style="list-style-type: none"> • Reduce water resource waste and increase the recovery rate; a pure water recovery system is established 	<ul style="list-style-type: none"> • Invest in wastewater recovery equipment • Improve procedure equipment and operations to reduce steam • Formulate water consumption reduction plans
	Use low-carbon energy	<ul style="list-style-type: none"> • Reduce operating cost 	<ul style="list-style-type: none"> • Install rooftop solar power generation systems in plants to reduce the temperature of rooftops and reduce the A/C operating cost • Guanyin Plant obtained the certification of ISO 50001 energy management system in 2021 	<ul style="list-style-type: none"> • Develop self-built solar power farms • Coordinate and plan by the Group to satisfy the carbon dioxide reduction by 2030 and procure green power

Type	Climate Related risk/opportunities	Potential financial implication	Description	Countermeasure
Opportunities	R&D and innovation to develop new products and services	<ul style="list-style-type: none"> Increase in operating revenue 	Continue to innovate and develop low-carbon products and invest in the development of energy-saving products to improve the market competition status	Explore new markets and industry transformation and develop green energy products (i.e., the application of SiC in green energy and EVs)
	Participate in renewable energy projects and adopt energy-saving measures	<ul style="list-style-type: none"> Reduce operating cost Reduce capital expenditures Increase in operating revenue 	Adopt renewable energy in response to laws and regulations and reduce GHG emissions	Execute the improvement plan to save power by 1% each year and improve the energy use efficiency via procedure and equipment improvement

3.2.2 Energy management (RT-EE-130a.1)

Energy management target of the Group (GRI 302-4)

USI Group took the initiative to set its energy management targets in 2016. In accordance with the energy development policies in Taiwan, it continued to track international trends and national regulations to carry out dynamic examinations. After measuring internal and external factors, USI Group has established the carbon dioxide target, "the carbon emission volume decrease by 27% from 2017 to 2030", by 2030 at the beginning of 2022. Nine domestic core production plants of the Group (including Taoyuan Plant of the Company) started to introduce the ISO 50001 energy management system and obtained the certification since 2018 to effectively manage energy performance and continue to implement energy-saving and carbon dioxide reduction improvement actions in the hope of exerting their influences to reduce environmental impacts.

USI Group convenes "intra-plant technical exchange meetings" and multiple "northern/southern plant resource integration meetings" each year to achieve resource sharing via technology sharing and question discussions between plants and improve the actual performance of energy-saving and carbon dioxide reduction. In 2022, the intra-plant technical exchange meeting was organized in October, and a case presentation competition was performed. "Occupational safety and environmental protection", "predictive maintenance of equipments", and "energy-saving and carbon dioxide reduction" are adopted as the core subjects. Through plant technical case submission and written review, there were seven cases participated in the competition in the end. The senior management of the Group and the presenting plants jointly selected three outstanding cases and four excellent cases. Taoyuan Plant won excellence with its reduction of natural gas consumption by 35% through improvements in energy-saving and consumption reduction in calcination procedures. The Chairman of the Group awarded the certificate of merit and bonus to jointly improve the Group's technical level via competition incentives, exchange, and example learning.



Taoyuan Plant energy management target

The power saving rate (%) of Taoyuan Plant from 2020 to 2022 is set out in the following table.

Energy management item	2020	2021	2022
⚡ Power saving rate (%)	1.12	1.14	0.83

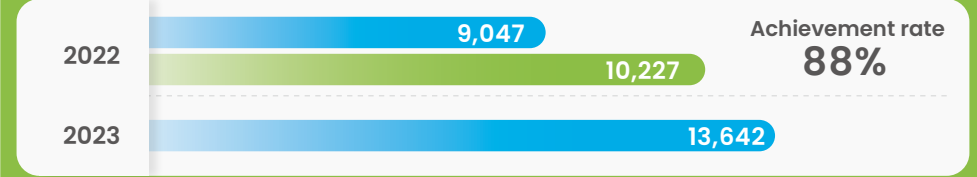
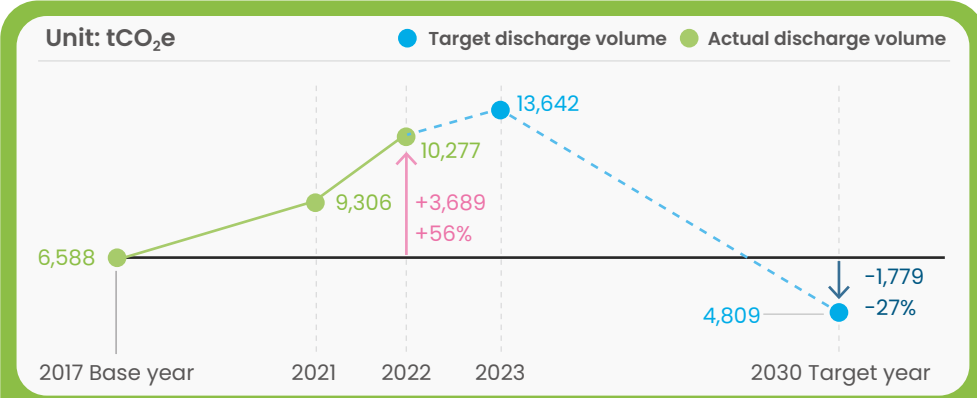
According to the "Rules for Energy Users to Set Energy-saving Target and Execution Plans" promulgated by the Bureau of Energy, Ministry of Economic Affairs, the target is achieved when the average power-saving volume from 2015 to 2019 reached 1%; the average power-saving volume of Taoyuan Plant was 2.33%, and the target is achieved. From 2020 to 2024, a five-year average power-saving volume of 1% was set. Even though the annual power-saving volume of Taoyuan Plant in 2022 only reached 0.83%, the average power-saving rate from 2015 to 2022 was 2.25%, complying with the requirement of the "annual average power-saving rate of 1% of the Bureau of Energy".

For energy-saving and carbon dioxide reduction, Taoyuan Plant will make efforts according to the target of "reduce carbon emissions by 27% by 2030 from 2017," established by USI Group at the beginning of 2022. In 2022, the production volume of SiC products under the new business increased, and power consumption increased. The Company performed a self-inventory, and the GHG emissions were 10,277 tCO₂e, representing an increase of 56.0% from the base year (2017), achieved 88% of 9,047 tCO₂e, the target emissions initially set.

In 2023, it is estimated that the production volume of SiC products under the new business will increase, and it is estimated that the emissions will reach 13,642 tCO₂e.

In 2021, Taoyuan Plant obtained the ISO 50001 energy management system certification to achieve a reduction in energy consumption costs and GHG emissions reduction by improving its energy consumption efficiency via the ISO 50001 system. The Company wishes to achieve sustainable operations by achieving mutual success in business development and environmental friendliness through continual energy-saving and carbon dioxide reduction and the increase in the use of green power.

Carbon dioxide reduction roadmap of Acme



Note: Achievement rate = target emissions in 2022/actual emissions in 2022

ISO 50001 Energy Management System

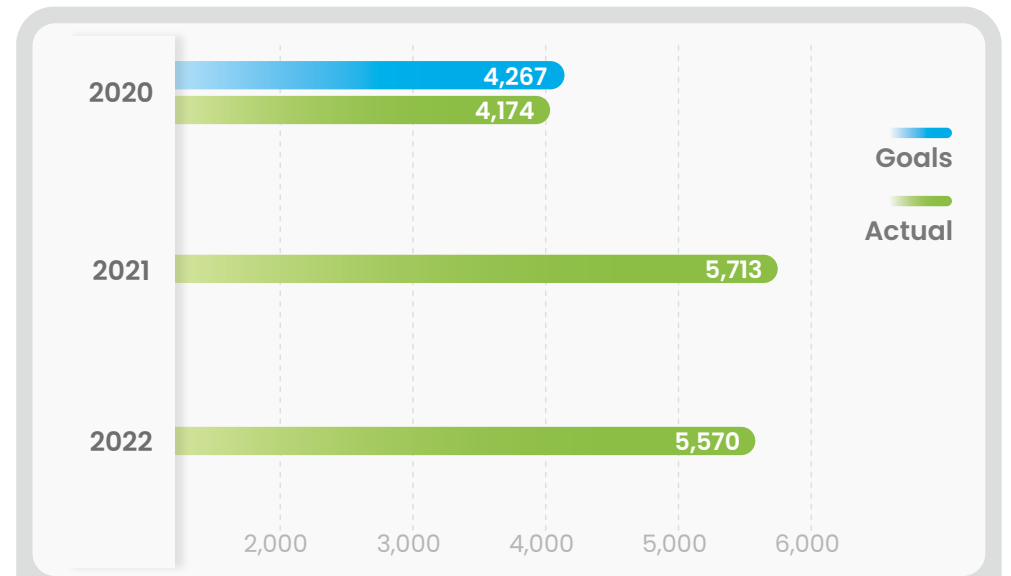


Guangzhou Plant energy management target

The competent authority of energy-saving in Zengcheng District, Guangzhou City, set an energy "dual control" target under the 13th Five Year Plan for Guangzhou Plant according to "Notice about the energy "dual control" target and reinforcement of energy "dual control" of material energy consumption departments under district monitoring of the Development and Reform Bureau of Zengcheng District, Guangzhou City", however, the energy "dual control" target under the 14th Five Year Plan has not been set.

For total energy consumption, affected by the decrease in orders, the production volume decreased by 17.9% from 2021 to 2022, and the total energy consumption was reduced by 143 tons of standard coal as compared to 2021.

Guangzhou Plant energy total energy consumption target (ton standard coal)



For energy consumption intensity, the production volume was reduced by 17.9%, and the energy consumption per unit product increased by 0.0018 tons standard coal/10,000 pieces from 2021 to 2022.

Indicator		2020	2021	2022
Energy consumption per unit product (ton standard coal/10,000 pieces)	Goals	0.0220	/	/
	Actual	0.0207	0.0202	0.0220

Kunshan Plant energy management target

The production of automotive products increased in 2021. Automotive products are heavier than other products, so the general energy consumption ratio per unit product reduced by 12.3% from 2020. In 2022, the general energy consumption ratio per unit product increased by 20% from 2021. The higher energy consumption per unit was due to work and production suspension in response to the local government for pandemic control in April; however, during the work suspension period, power is required to keep the sintering furnace at a certain temperature, and partial equipment are also required to maintain its operations.

The energy-saving target and achievement status of Kunshan Plant are as follows:

Indicator		2020	2021	2022
Energy consumption per unit product (ton standard coal/ton output)	Goals	0.9000	0.9400	0.9400
	Actual	0.9649	0.8422	1.0100

Energy consumption (GRI 302-1、GRI 302-3)

Taoyuan Plant and the two plants in Mainland China have dedicated environmental protection departments in place. The departments are responsible for planning, promoting, and supervising the execution of various energy-saving carbon dioxide reduction management plans to reduce energy consumption and environmental impacts. The energy consumption data for the past three years is shown in the table below.

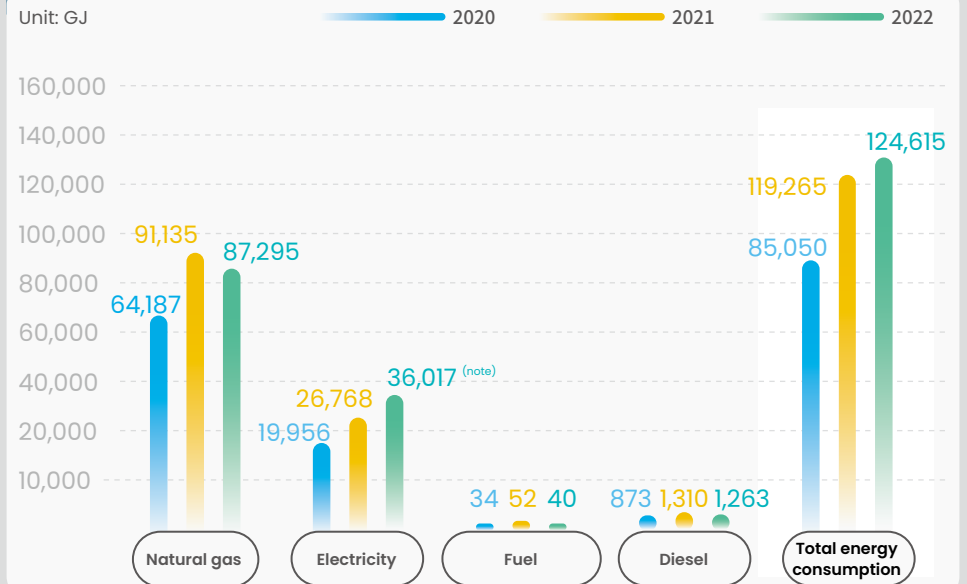
Electricity and natural gas are the major energy used in the operation of Taoyuan Plant. Due to the reduction in the production volume of ferrite powder and the improvement in energy-saving and consumption reduction in calcination procedures, the consumption of natural gas reduced as compared to 2021. However, due to the increase in the production volume of SiC products under the new business, power consumption increased, and the total energy consumption in 2022 was 124,615 (GJ), representing an increase of 4.4% from 2021, and the "energy intensity per unit product" increased by 8.4%.

Electricity is the major energy used in the operation of the two plants in Mainland China, and the main power consumption equipment is the sintering furnace for the sintering procedures.

Affected by the decrease in orders, the production volume of Guangzhou Plant was reduced by 17.9% from 2021 to 2022; however, due to the improvement in waste gas emissions and the improvement in employees' operating environment, multiple sets of power consumption equipment were added. The total energy consumption merely reduced by 2.7% from 2021 to 2022, and the "energy intensity per unit product" increased by 18.5%.

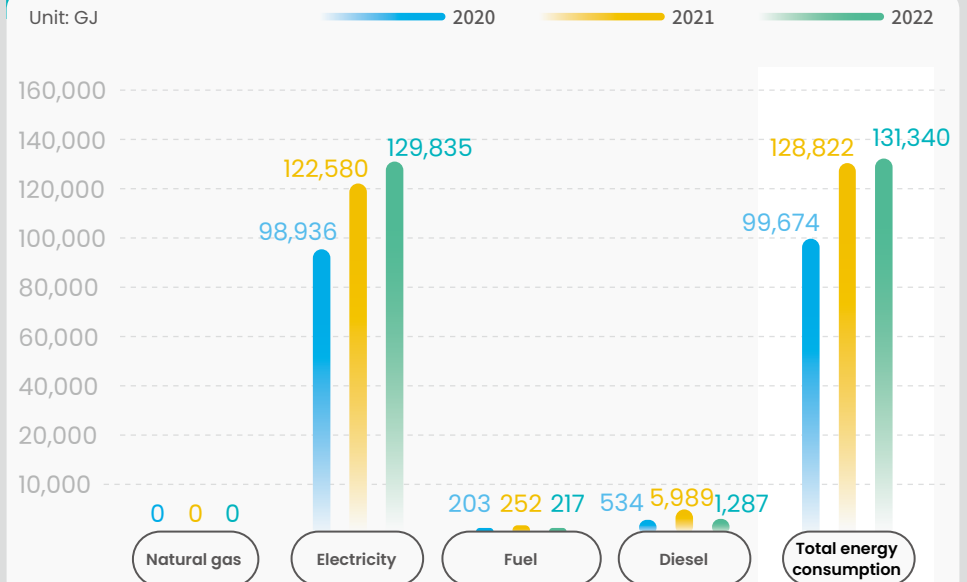
Also affected by the decrease in orders, together with the work and production suspension in response to the local government for pandemic control in April, the production volume of Kunshan Plant reduced by 15% from 2021. However, power is required to keep the sintering furnace at a certain temperature, and partial equipment is also required to maintain its operations; therefore, the total energy consumption increased by 2% from 2021, and the "energy intensity per unit product" increased by 20%.

Taoyuan Plant

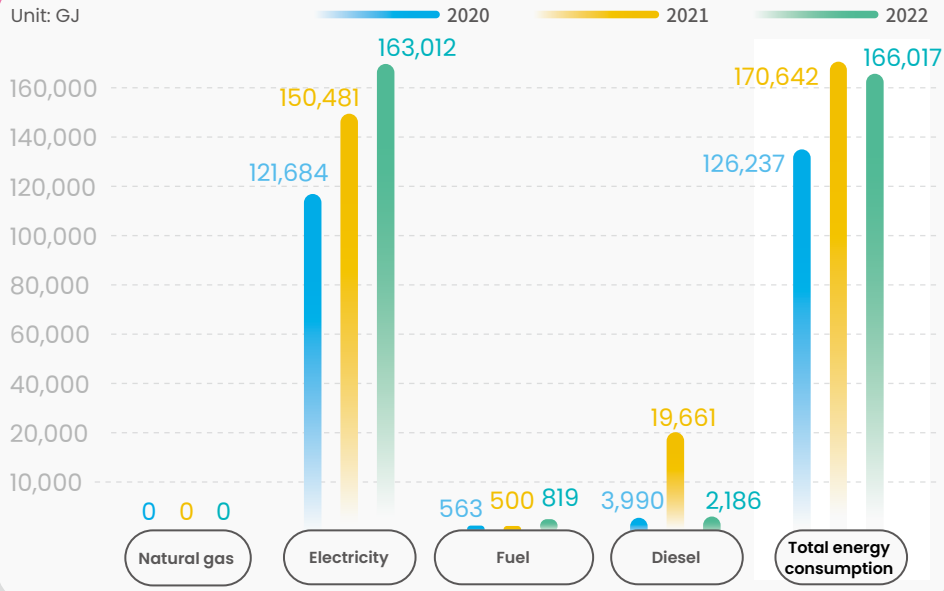


Note: include solar energy electricity 553GJ

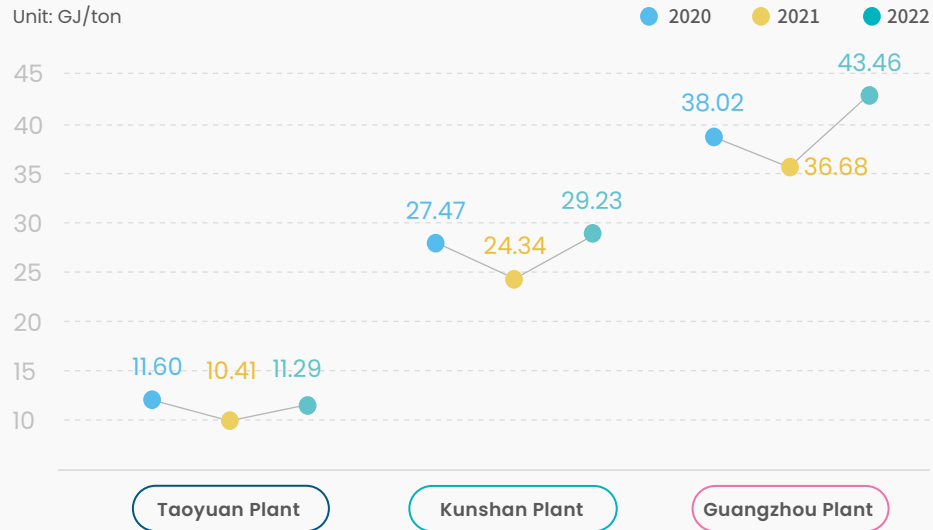
Kunshan Plant



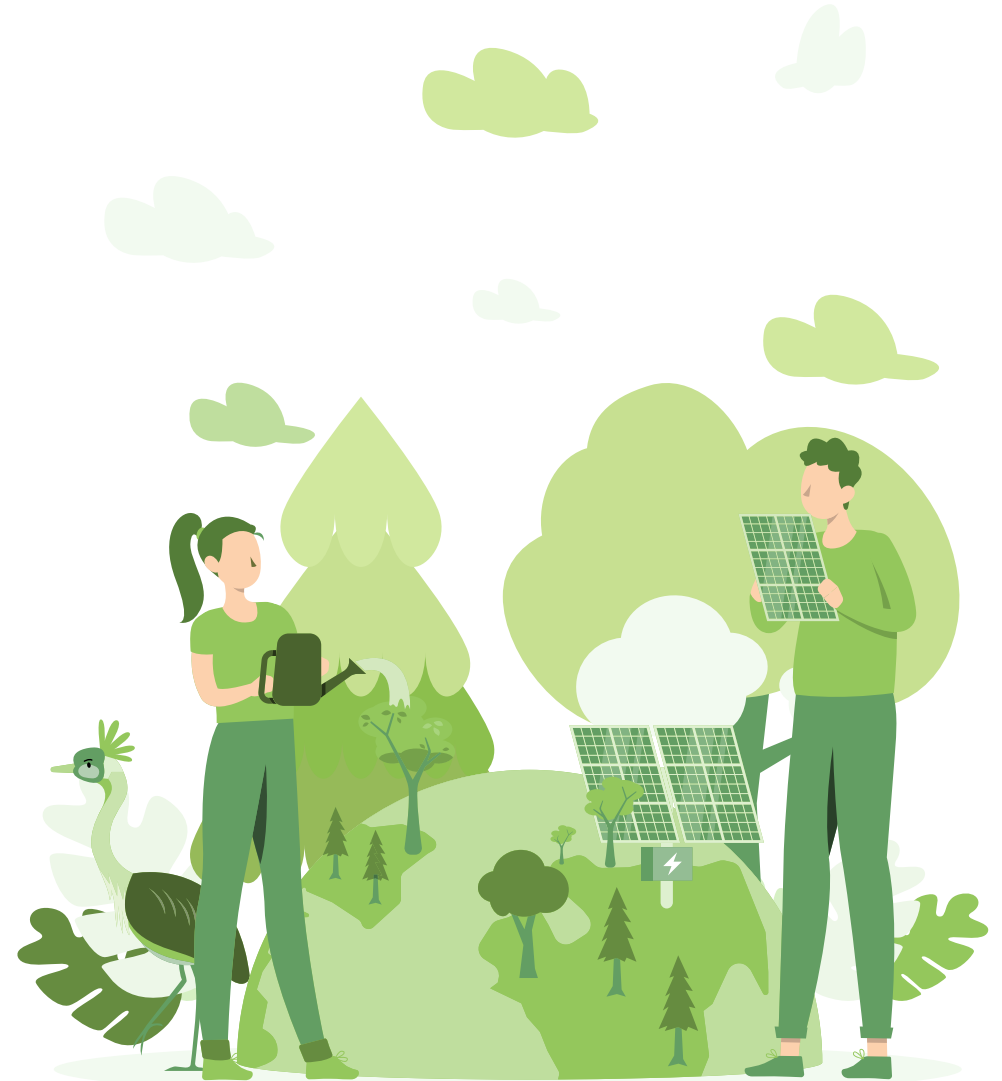
Guangzhou Plant



Energy intensity per unit product



Note: According to the announcement of the Bureau of Energy, Ministry of Economic Affairs, the energy consumption conversion coefficient of fuel, electricity, natural gas, and diesel is 7,800 kcal/L, 860 kcal/kWh, 9,000kcal/m³, and 8,400 kcal/L, respectively; 1cal is 4.187J.



3.2.3 GHG management (GRI 305-1、305-2、305-4、305-5)

The Company is dedicated to energy-saving and carbon dioxide reduction, which not only contributes to society but also reduce operating cost due to the improvement in energy efficiency. Taoyuan Plant is required to report stationary pollution sources as announced by the Environmental Protection Agency, and it regularly reports quarterly and cooperates with the audit of the government, and obtained the ISO-14064-1 GHG inventory certification in 2022.

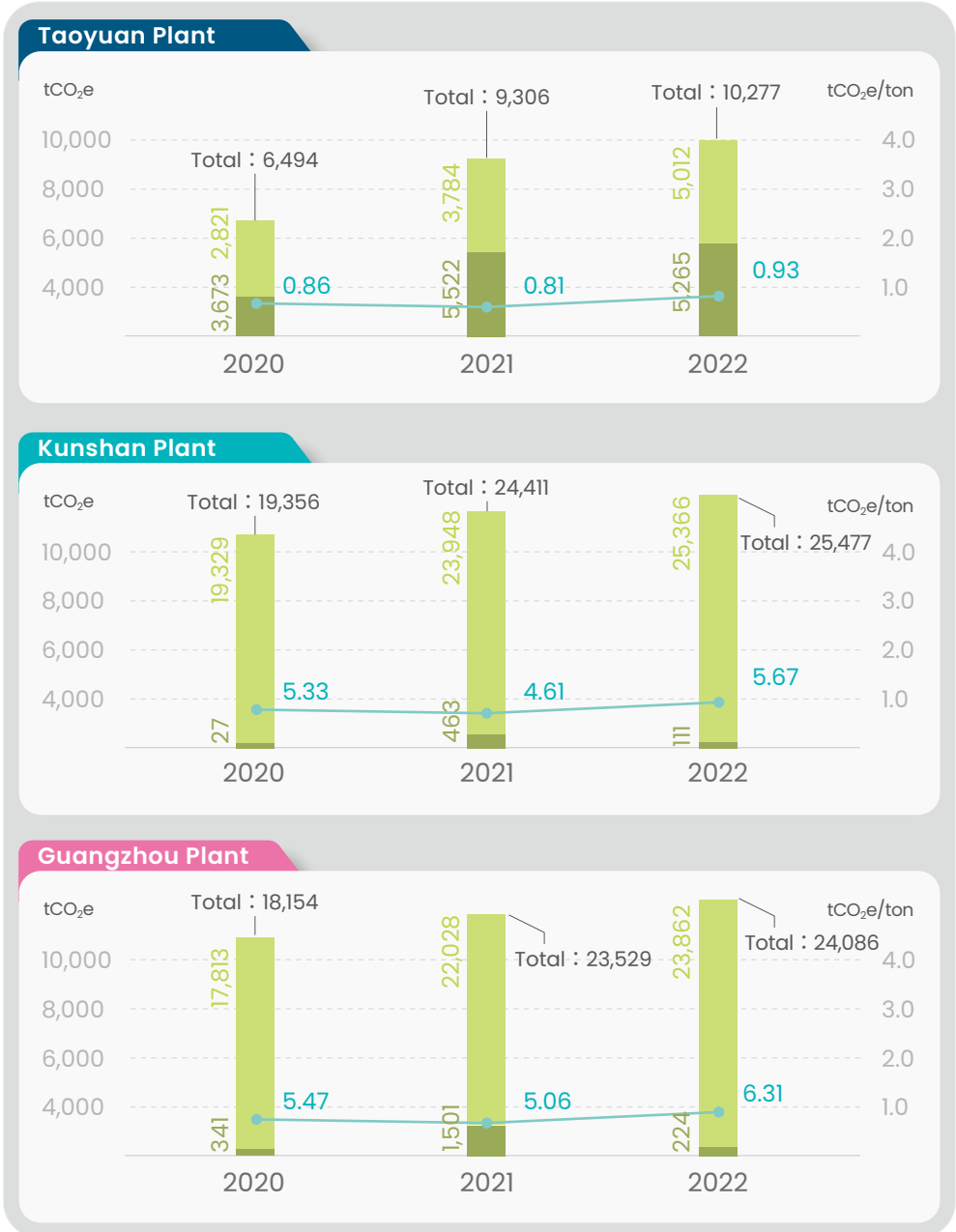


Due to the reduction in the production volume of ferrite powder and the improvement in energy-saving and consumption reduction in calcination procedures of Taoyuan Plant, the consumption of natural gas reduced from 2021. However, due to the increase in the production volume of SiC products under the new business, power consumption increased, and the GHG emissions were 10,277tCO₂e in 2022, representing an increase of 10.4% from 2021, and the "GHG intensity per unit product" increased by 14.8%.

The production volume of Guangzhou Plant was reduced by 17.9% from 2021 to 2022; however, due to the improvement in waste gas emissions and improvement in employees' operating environment, multiple sets of power consumption equipment were added. The GHG emissions were 24,086tCO₂e, representing an increase of 2.4% from 2021 to 2022, and the "GHG intensity per unit product" increased by 24.7%.

Work and production of Kunshan Plant were suspended in April due to the effects of the pandemic. In 2022, the GHG emissions were 25,477 tCO₂e, representing an increase of 4% as compared to 2021, and the "GHG intensity per unit product" increased by 21.4%, primarily due to power required to keep the sintering furnace at a certain temperature and the requirements of maintaining the operations of partial equipment.

● GHG intensity per unit product ● Scope 1 (CO₂e) ● Scope 2 (CO₂e)

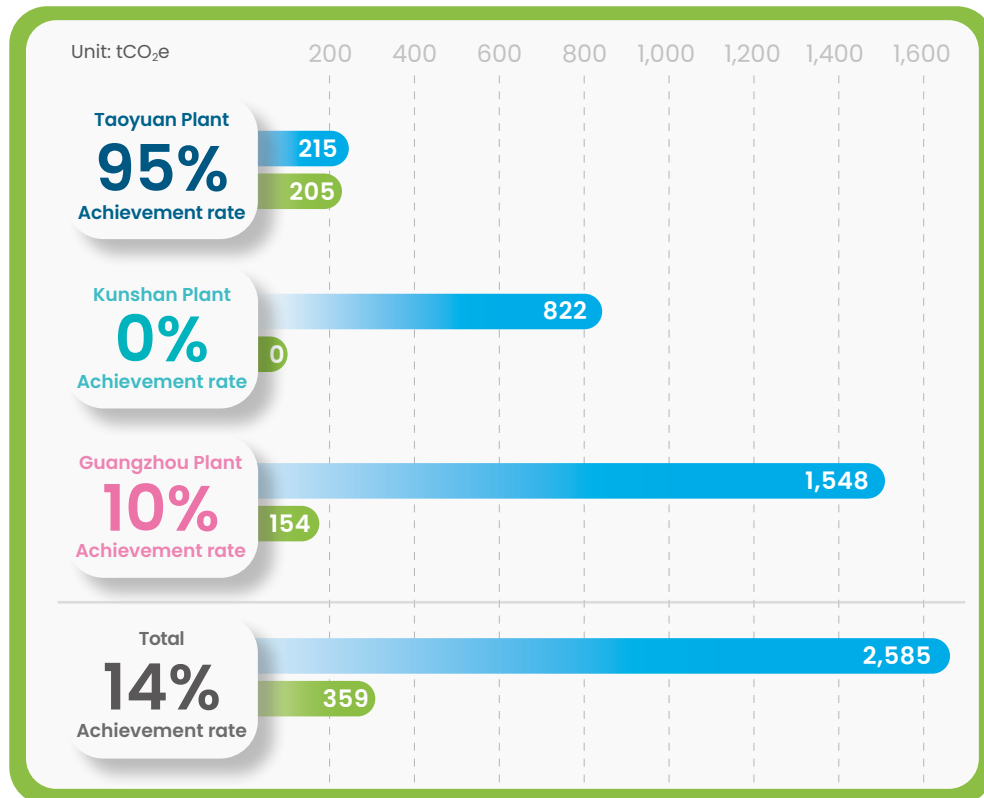


Note 1: Scope 1 refers to the direct discharge from procedures or facilities. The data in the abovementioned figure is calculated based on the consumption of natural gas and the fuel consumption of vehicles of business use and diesel forklift.
 Note 2: Scope 2 refers to the indirect discharge of energy. The data in the abovementioned figure is calculated based on the electricity consumption.
 Note 3: For the inventory boundary, the operational control right approach is adopted to set Taoyuan Plant, Guangzhou Plant, and Kunshan Plant as the scope of inventory.
 Note 4: For the discharge coefficient, please refer to the GHG emission coefficient management table of the Environmental Protection Administration, the power discharge coefficient in China, and the global warming potential value of the fourth assessment report by IPCC in 2007.
 Note 5: In 2021, the emissions of Taoyuan Plant obtained the ISO-14064-1 GHG inventory verification; the remaining is self-inventory data. The emissions of scope 3 GHG under the ISO-14064-1 GHG inventory of Taoyuan in 2021 was 2,873tCO₂e.

3.2.4 Implementation of energy-saving and carbon dioxide reduction (GRI 305-5)

The energy-saving and carbon dioxide reduction plans that the Company plans to substantially execute in 2022 are as shown in the following table; carbon emissions were reduced by a total of 359tCO₂e. Guangzhou Plant and Kunshan Plant initially expected to install solar power generation equipment in 2022, which was delayed to 2023 due to other causes; therefore, merely achieving 14% of the carbon dioxide volume initially set.

Actual carbon dioxide reduction volume in 2022
 Target carbon dioxide reduction volume in 2022



Energy-saving and carbon dioxide reduction execution plan in 2022

Taoyuan Plant

Improvement plan

1. Use self-recycling burners for rotary kilns
2. Replaced 15 HP scrubbers with 10 HP cyclone dust collectors for Ni-Zn air pollution control equipment to reduce power consumption
3. Purchase two new high-performance 2500kva transformers for SiC production line

Actual volume of carbon dioxide reduced
205
 tCO₂e

Energy-saving volume calculation method

1. Natural gas reduced per unit X production volume
2. Operating hours X power consumption reduced per hour
3. Operating hours X power consumption reduced per hour

Energy-saving volume

Saved 67,586 m³ of natural gas
 Saved 105,768 kWh of electricity

Guangzhou Plant

Improvement plan

Oven reformation for grinding machine

Actual volume of carbon dioxide reduced
154
 tCO₂e

Energy-saving volume calculation method

Estimated value of heating power

Energy-saving volume

Saved 164,160 kWh of electricity

Actual volume of carbon dioxide reduced
359
 tCO₂e

Total

Energy-saving volume

Saved 269,928kWh of electricity
 saved 67,586 m³ of natural gas

The energy-saving and carbon dioxide reduction plans that the Company plans to execute in 2023 are as shown in the following table; the carbon emission reduction target is 1,918tCO₂e.

Energy-saving and carbon dioxide reduction plan in 2023

Taoyuan Plant

Improvement plan

1. Adjustment to the water yield of closed cooling water
2. Route combination of cooling water for A/C

Energy-saving volume calculation method

1. Operating hours X electricity consumption reduced per hour
2. Suspend the initial electricity consumed by partial equipment

Estimated energy-saving volume

Saved 51,667kWh of electricity
Saved 163,374 kWh of power

Target carbon dioxide reduction volume
109
tCO₂e

Kunshan Plant

Improvement plan

Install solar power generation equipment

Energy-saving volume calculation method

Based on the estimated value of the design of suppliers

Estimated energy-saving volume

Annual power generation of 1,632,000 kWh

Target carbon dioxide reduction volume
860
tCO₂e

Guangzhou Plant

Improvement plan

Install solar power generation equipment

Energy-saving volume calculation method

Installation capacity and power generation efficiency estimation

Estimated energy-saving volume

Annual power generation of 1,800,000 kWh

Target carbon dioxide reduction volume
949
tCO₂e

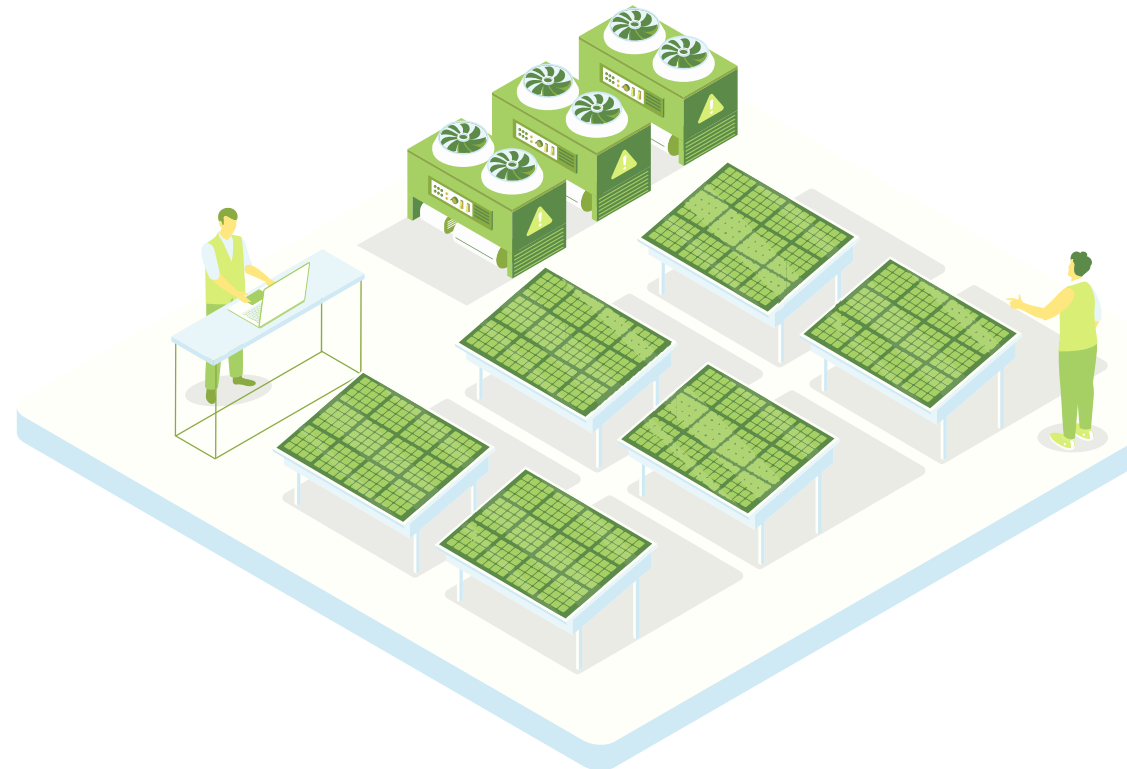
Target carbon dioxide reduction volume
1,918
tCO₂e

Total

Energy-saving volume

Saved 3,647,041 kWh of electricity

Note: The calculation method for energy-saving and carbon dioxide reduction was adjusted in 2023; the annualized benefits are included in the execution year of the plan.



3.3 Air pollution control and management

Management approaches (GRI 3-3)

Sustainability principle: Resource recycling and environmental friendliness

Strategic policy

Comply with environmental protection regulations, commit to pollution prevention, and satisfy the environmental and quality requirements of customers.

Commitment


Achieve zero violation of environmental protection laws

Management impact

Positive/negative impact item : Continue the management follow-up in 2021.

Negativity remedies and preventive measures : -

2022 Target : Zero violation of environmental protection laws

2022 Performance : The ozone concentration at Guangzhou Plant's sintering procedure discharge outlet exceeded the discharge limit  **Not achieve the goal**

2023 Target : Zero violation of environmental protection laws

2025 Target : Zero violation of environmental protection laws

2030 Target : Zero violation of environmental protection laws

There is pollution control equipment in place for the stationary pollution sources of Taoyuan Plant. The pollutants are granular pollutants and nitric oxide. The pollution control equipment includes cyclone separators, bag dust collectors and scrubbers. The pollution discharge reduction equipment includes the additional installation of filter bag dust collectors for the intake and dispensing procedures of calcination equipment and the additional installation of automated transportation equipment for the batch buckets of discharging and dispensing procedures to reduce spillage.

The installation of control equipment improved the operating environment, and the flying dust and spillage of granular pollutants, and the dust collected may be recycled and put to use in procedures to reduce resource waste. The collecting process is collecting from the initial pipes of procedures, which has no effect on the quality and purity of products.

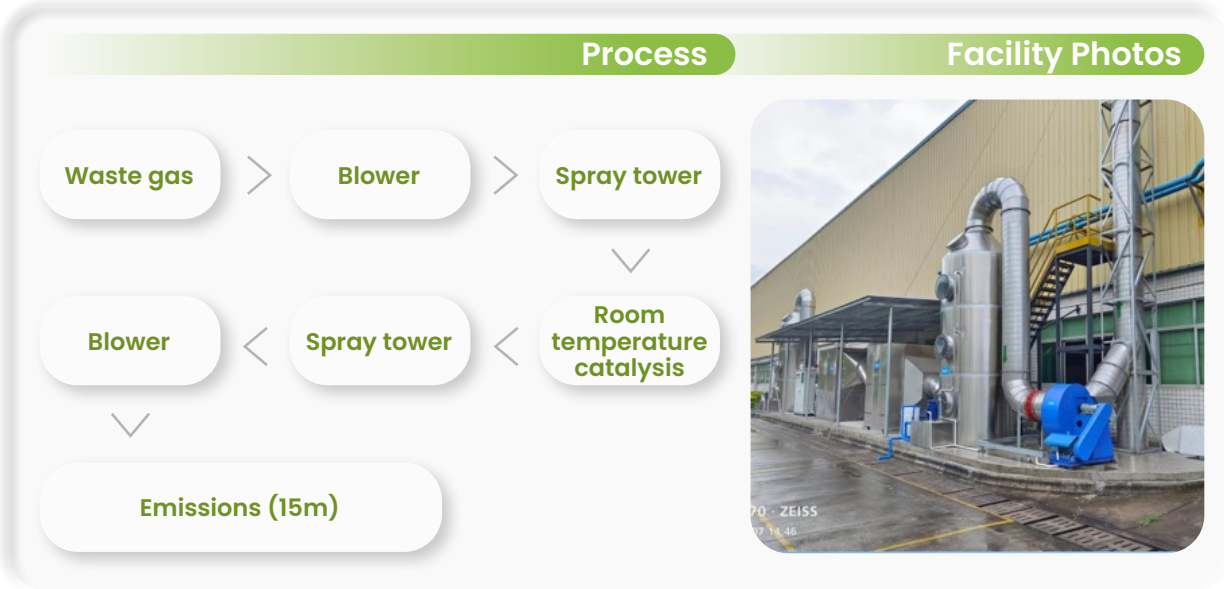
Taoyuan Plant implemented testing and filing of stationary pollutant source emissions according to the requirements of the Air Pollution Control Act, the filing was approved by the Environmental Protection Administration in terms of compliance with stationary pollution source and air pollutant discharge standards, and there was no SOx emission. The stationary pollution source operating license of Taoyuan Plant expired and was renewed in 2021 to change the content of the operation and installation license. The Company has applied for the extension of the operating license according to the Stationary Pollution Source Installation, Operating and Fuel Use Permit Management Regulations Amended Clauses and the

application for the extension of the operating license to 2026 was completed.

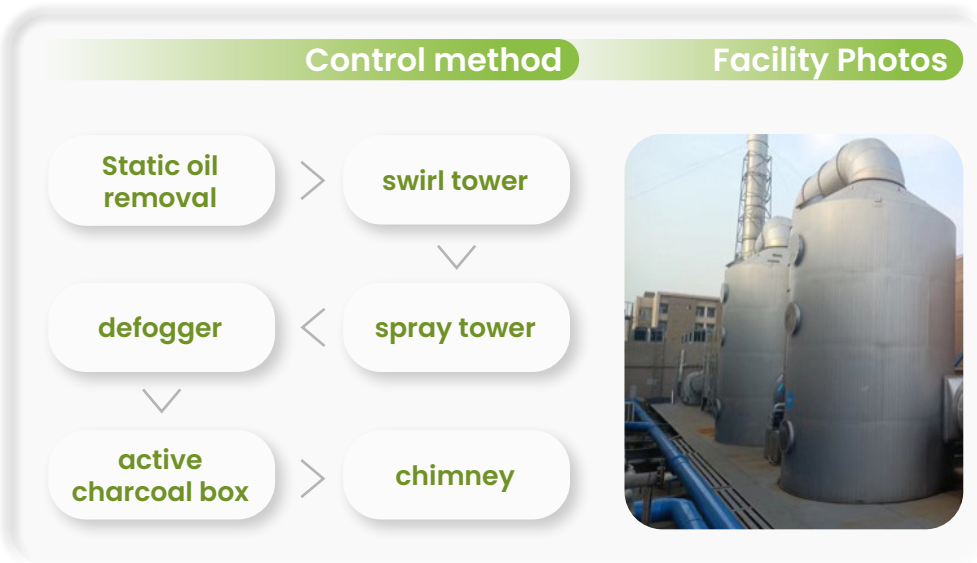
Kunshan Plant and Guangzhou Plant carry out annual testing of stationary pollution sources each year according to the law. The testing data of Kunshan Plant in 2022 fully complied with the discharge standards of relevant regulations; however, the Guangzhou City Environment and Ecology Bureau found out that ozone concentration at Guangzhou Plant's sintering procedure discharge outlet exceeded the discharge limit by 1,000 dimensionless quantities and imposed a fine of RMB140,000.

To effectively improve waste gas emissions, Guangzhou Plant newly built a set of sintering waste gas room temperature catalysis facilities in 2022. The ozone concentration after processing was 309 dimensionless quantities maximum, complying with the discharge standards.

After free radicals decompose from ozone, it possesses strong oxidation abilities to oxidize VOCs. When low-concentration organic waste gas (alkanes) comes into contact with ozone, the generation of free radicals from ozone requires a certain period of time; therefore, when directly using ozone to eliminate VOCs, the elimination efficiency is around 50%. When ozone comes into contact with special catalysts, a large number of free radicals may be generated; by doing so, VOCs at room temperature in combination with ozone on the surface of catalysts may realize oxidation and be decomposed into CO₂ and water, and the elimination efficiency is 90% or above.



Kunshan Plant newly built a VOCs environmental protection system in 2022. The maximum value of the front-end ozone was 1737mg/m³; after processing, the maximum value of the back-end ozone emission concentration was 73mg/m³; the effective elimination rate reached 95.7%.



The sintering waste gas enters the static oil remover from the pipe to eliminate the oil droplets and oil particles and then enters the swirl tower and spray tower to neutralize water-soluble substances and acidic substances in the gas by using alkaline aqueous solutions to achieve the purpose of removing the odor of gas.

Defogger removes water vapor, oil and gas, and dust particles carried by gas after the spray tower to reduce the impurities and water content of gas and prevent a large amount of water vapor from entering the active charcoal box, extending the useful life of active charcoal and protecting the effectiveness of active charcoal. The gas enters the active charcoal for the absorption of impurities and odor removal. The filtered gas that complies with the discharge standards is discharged into the air via chimneys.

Stationary pollution source discharge status of ACME in 2022 (GRI 305-7)

Taoyuan Plant

Granular pollutant	0.075 ton/year
Nitric oxide	2.625 ton/year
VOCs	14.021 ton/year

Kunshan Plant

Granular pollutant	0.102 ton/year
Nitric oxide	Zero
VOCs	Zero

Guangzhou Plant

Granular pollutant	0.382 ton/year
Nitric oxide	Zero
VOCs	Zero





4

Happy workplace and social participation

4.1 Talents attraction and retention	<u>65</u>
4.2 Talent cultivation and development	<u>78</u>
4.3 Occupational safety and health	<u>83</u>
4.4 Social participation	<u>91</u>

4.1 Talents attraction and retention (RT-EE-000.B)

The Company adheres to the traditional cultural philosophy of USI Group and attaches great attention to the care of employees. It complies with labor regulations and offers respect and freedom to employees to allow employees to work with dignity within the reasonable scope of systems and humanized management, achieve work-life balance, meet household and family requirements, work happily, and enjoy life.

Management approaches (GRI 3-3)

Sustainability principle: Happy workplace and social participation

Strategic policy

Extensively employ talents of virtue and ability to jointly achieve prosperity

Commitment

Adopt appropriate measures for human affairs to share the results

Management impact

positive/negative impact item

Potential positive impact - become an enterprise with happy workplace - improve the recognition of employees with the Company.

negativity remedies and preventive measures

-

2022 Target

Employee satisfaction

Taiwan: 75%; Kunshan Plant: 80%; Guangzhou Plant: 84%

Recruitment achievement rate

Taiwan: 100%; Kunshan Plant: 100%; Guangzhou Plant: 100%

2022 Performance

Employee satisfaction

Taiwan: 80%; Kunshan Plant: 85%; Guangzhou Plant: 82%

Recruitment achievement rate

Taiwan: 50%; Kunshan Plant: 97%; Guangzhou Plant: 100%

Not achieve the goal

2023 Target

Employee satisfaction

Taiwan: 75%; Kunshan Plant: 80%; Guangzhou Plant: 84%

Recruitment achievement rate

Taiwan: 100%; Kunshan Plant: 100%; Guangzhou Plant: 100%

2025 Target

Employee satisfaction

Taiwan: 76%; Kunshan Plant: 82%; Guangzhou Plant: 85%

Recruitment achievement rate

Taiwan: 100%; Kunshan Plant: 100%; Guangzhou Plant: 100%

2030 Target

Employee satisfaction

Taiwan: 78%; Kunshan Plant: 84%; Guangzhou Plant: 85%

Recruitment achievement rate

Taiwan: 100%; Kunshan Plant: 100%; Guangzhou Plant: 100%

Remarks: Recruitment achievement rate: The ratio of actual recruitment to the number of applicants based on the human resources requirement of departments; calculating formula: number of persons recruited/number of applicants

Workforce structure (GRI 2-7)

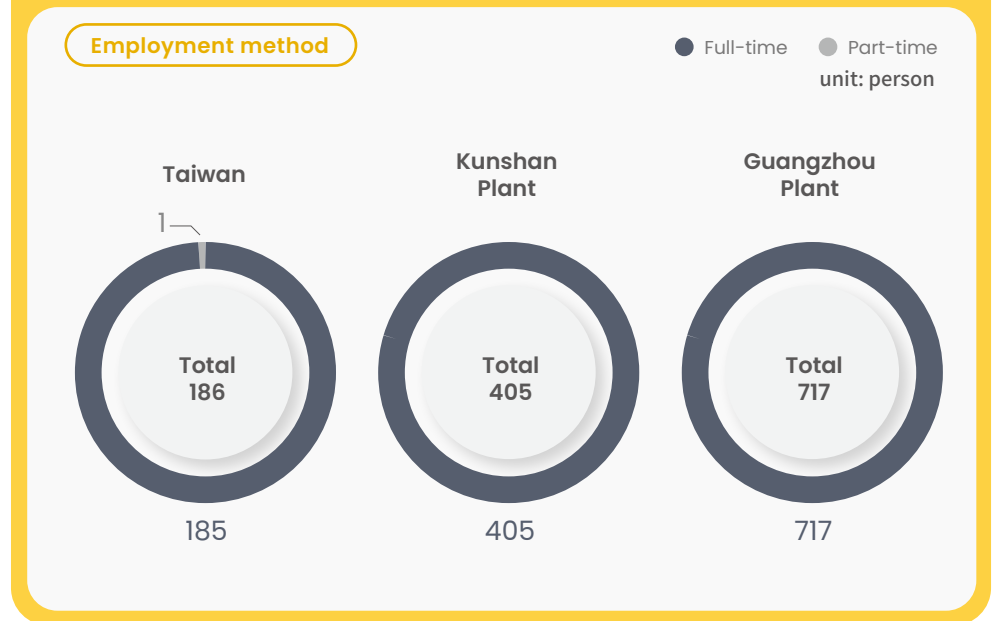
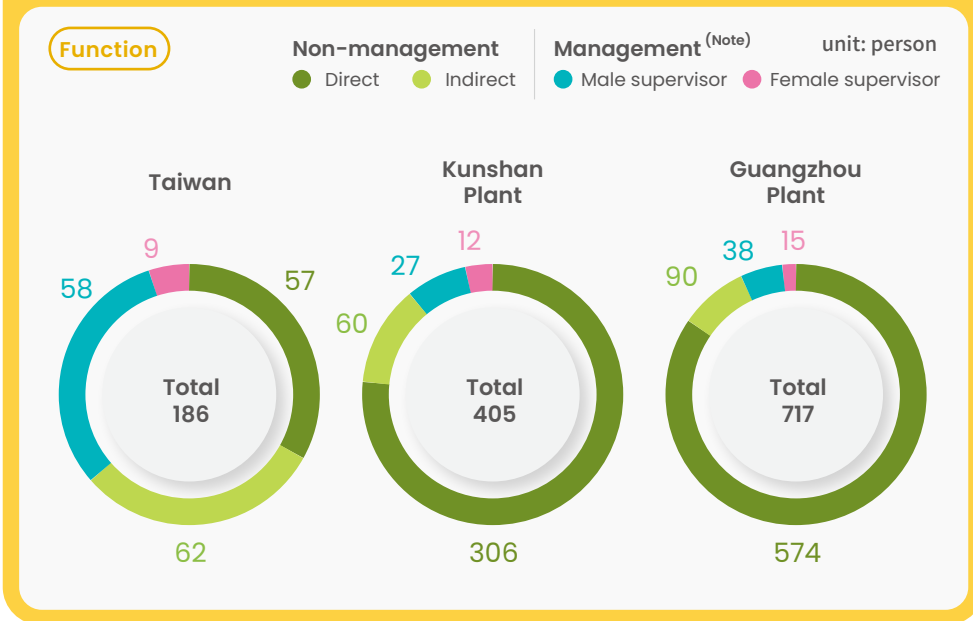
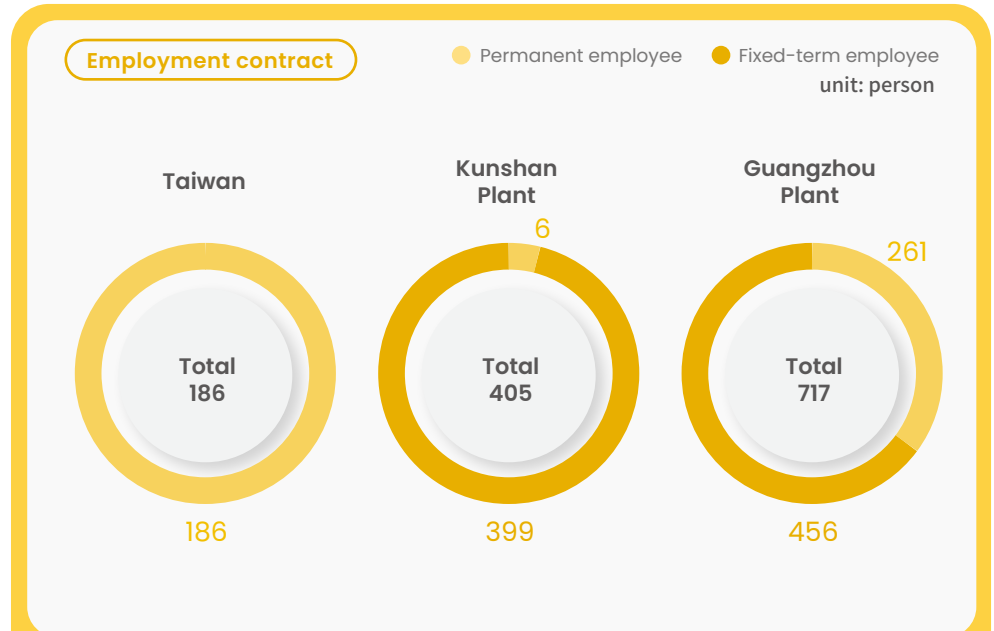
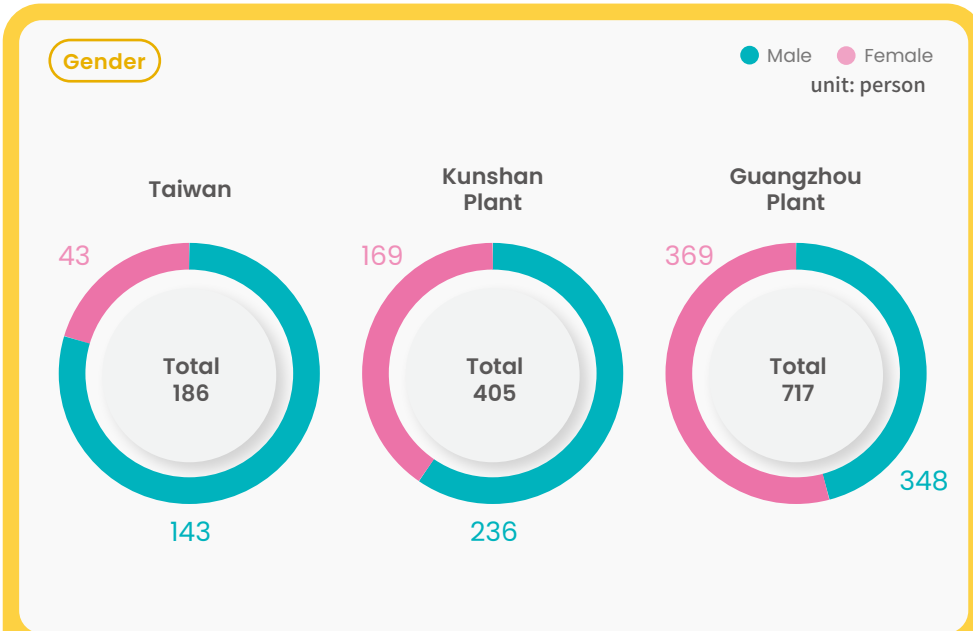
In 2022, the total number of employees in the Taipei Office and Taoyuan Plant was 186 persons, including 143 males (accounted for 77%) and 43 females (accounted for 23%). Except for the concurrent positions of the Chairman and the CEO, the employees are all formal full-time employees. As the work nature in Taoyuan Plant requires to bear weight, the ratio of male employees is higher. To protect employees' employment rights, except for the concurrent positions of the Chairman and the CEO, typical employment is adopted for the remaining employees, and permanent contracts are entered into to allow employees to work at ease.

The total number of employees of Kunshan Plant and Guangzhou Plant is 1,122 persons, including 584 males (accounting for 52%) and 538 females (accounting for 48%), who are all formal full-time employees. As compared to Taoyuan Plant, the two plants in Mainland China are mainly responsible for post-processing procedures, and the work nature is more delicate; therefore, the ratio of female employees is relatively higher than Taoyuan Plant. According to the requirements of laws and regulations, the two plants in Mainland China consecutively signed two times of fixed-term labor contracts, and permanent labor contacts shall be entered into when signing the third contract. The ratio of employees with a seniority of six years or above and under permanent contracts in the Kunshan Plant and Guangzhou Plant was 1.5% and 36%.

We encourage the disadvantaged groups in society to contribute their talents. As of the end of 2022, employees with physical or mental disabilities in service were 16 persons in total (13 in Guangzhou Plant, 2 in Kunshan Plant, and 1 in Taoyuan Plant).



Employee composition of ACME in 2022 (number of persons)



The gender and age distribution of senior and middle management and general employees of the Company is shown in the following table; supervisors are majorly males above 30 years old. The age of general employees is primarily ranging from 31 to 50, and the gender ratio differs from region to region; in general, the difference is not significant. As partial employees employed by Taoyuan Plant are transferred to Mainland China to hold the positions of supervisors, the ratio of senior management is higher; Kunshan Plant only employs two senior management above 50 years old, and Guangzhou Plant has no senior management above 50 years old.

Age distribution of employees of ACME in 2022 (number of persons)

		Gender	Taiwan	Kunshan Plant	Guangzhou Plant
Senior Supervisors (above assistant manager)	Under 30	Male	0	0	0
		Female	0	0	0
	31 - 50	Male	16	8	7
		Female	2	3	2
	Over 51	Male	26	2	0
		Female	2	0	0
Junior and intermediate supervisors (team leader and section chief)	Under 30	Male	0	1	2
		Female	0	0	0
	31 - 50	Male	8	16	28
		Female	4	9	13
	Over 51	Male	8	0	1
		Female	1	0	0

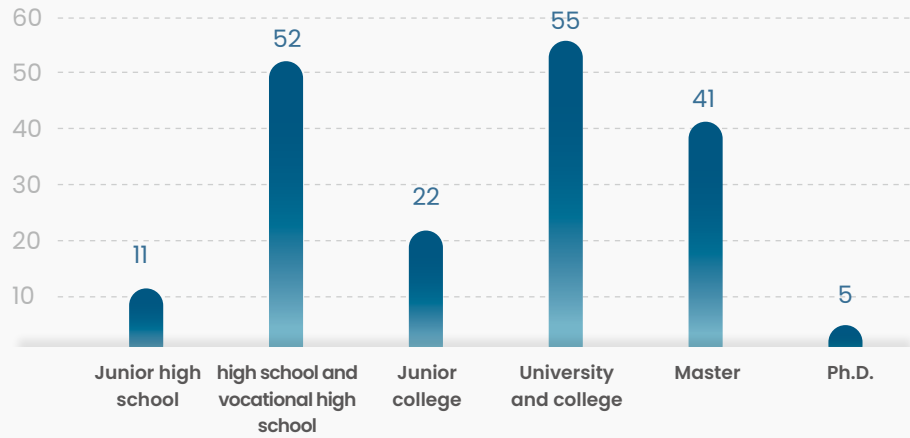
		Gender	Taiwan	Kunshan Plant	Guangzhou Plant
General employees	Under 30	Male	14	63	150
		Female	4	20	110
	31 - 50	Male	62	121	149
		Female	26	120	244
	Over 51	Male	9	25	11
		Female	4	17	0



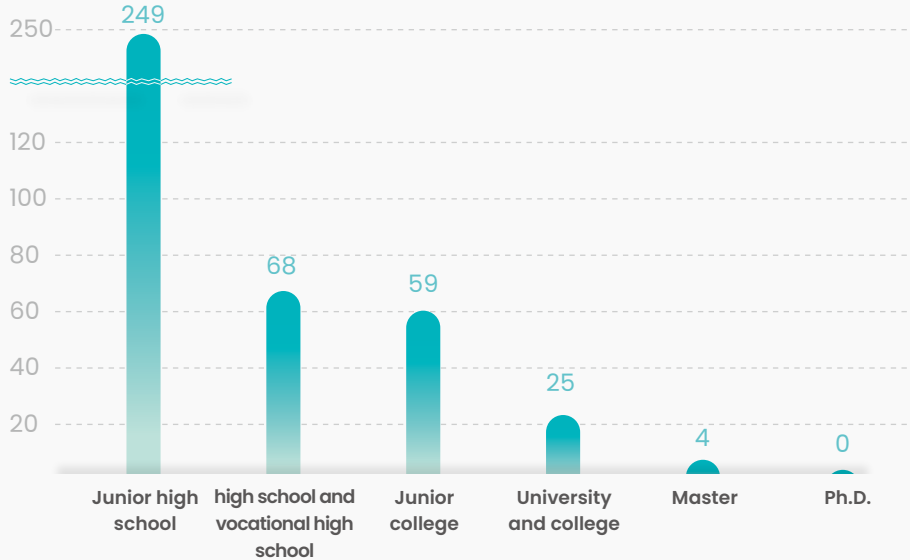
The academic background distribution of employees of different levels is shown in the following table. Taoyuan Plant is the development location of new materials, new products, and new businesses; therefore, the ratio of employees with master's degrees is higher. Kunshan Plant and Guangzhou Plant are production bases; therefore, the ratio of employees who graduated from or below high schools or vocational high schools is higher.

Academic background distribution of employees of ACME in 2022 (number of persons)

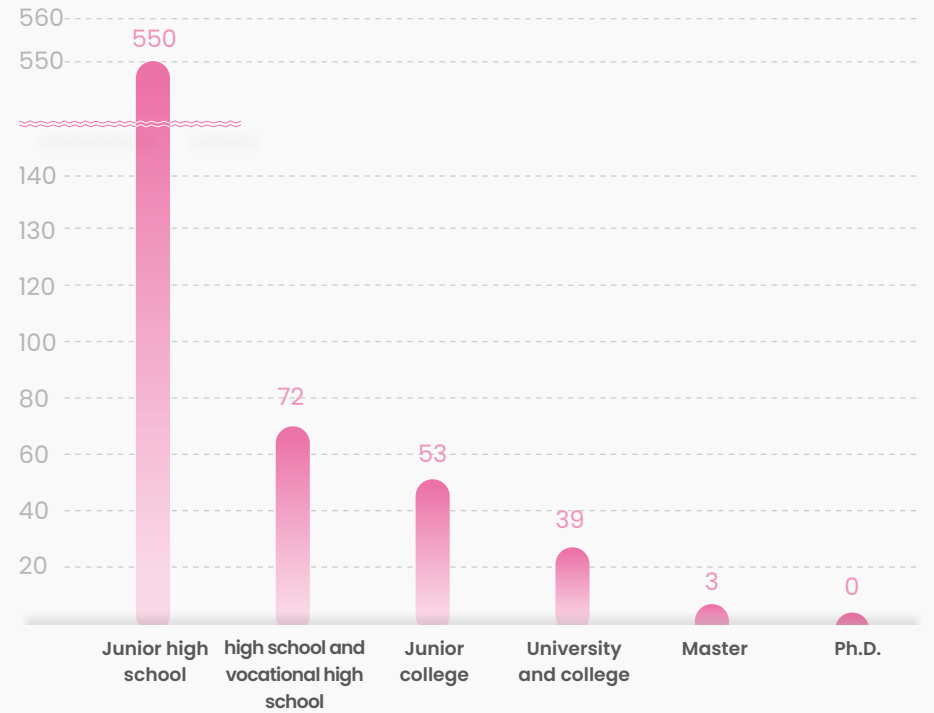
Taiwan



Kunshan Plant



Guangzhou Plant



Talent recruitment and appointment

To maintain the stability of human resources, the Company adopts a fair, public, just, and efficient selection system with a target of selecting excellent the adequate talents to reinforce its business and attach attention to the fairness of diversification and opportunities; the Company will not have any discrimination in employment in terms of ethnicity, skin color, age, gender orientation, species, disability, pregnancy, religion, political party, group member, or marital status. The Company observes the requirements related to Labor Standard Act and complies with the Responsible Business Alliance (RBA) specifications.

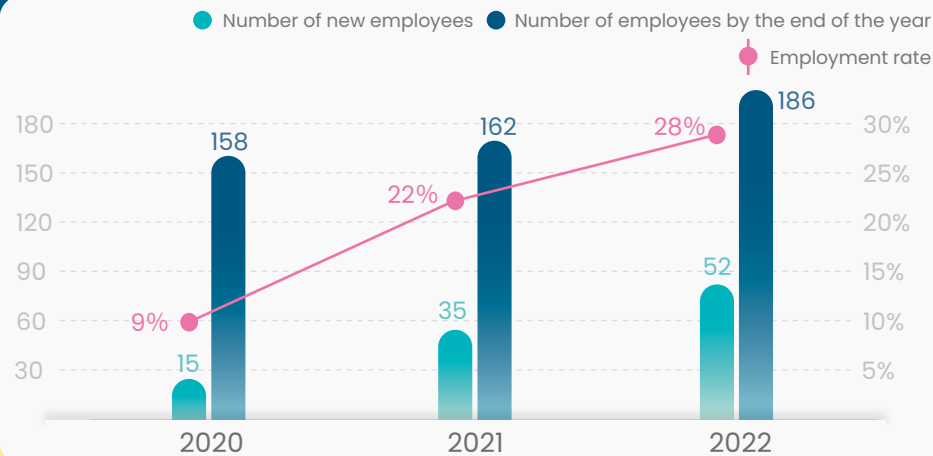
If there are vacancies or requirements of expansion based on business requirements, organizational plans, or resignation of employees, the employee requirement department shall fill out the "employee requirement application". After being approved, recruitment and rotation within the Group shall serve as the priority. Meanwhile, external recruitment will also be performed. The recruitment methods primarily include job banks, employment service stations, employees' referrals, campus recruitment, and multiple channels to recruit talents of different levels. Recruiting local talents is the priority so as to provide local employment opportunities to give back to communities.

In 2022, the Company primarily employed employees below 50 years old, Kunshan Plant primarily employed employees aging from 31 to 50, and Guangzhou Plant primarily employed employees

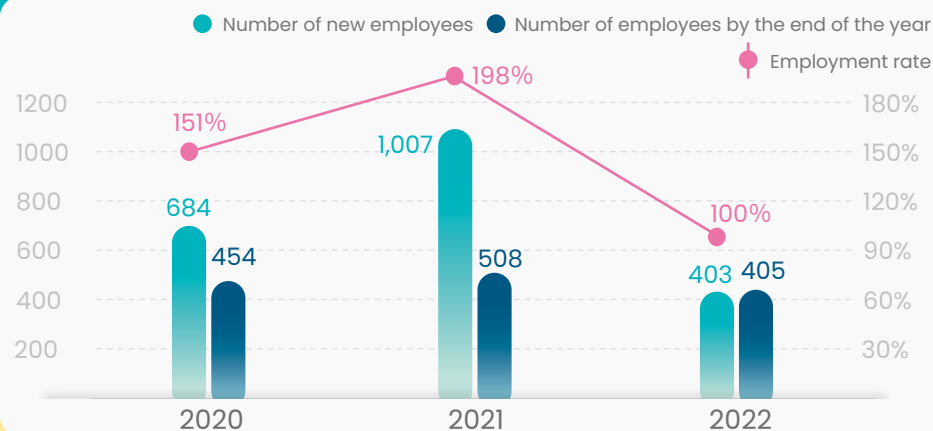
below 30 years old. Employees of the two plants in Mainland China are primarily personnel from other provinces (71% for Guangzhou Plant and 75% for Kunshan Plant). The reason for having more employees from other provinces is the requirement of constantly supplementing labor vacancies resulting from the loss of employees due to the year-end home rush arising from families and home-retuning development. In 2022, the recruitment achievement rate of Kunshan Plant and Guangzhou Plant was 97% and 100%. The employee requirement departments' labor requirements were successfully fulfilled, and the human resources required in plants were recruited to maintain stable human resources. Due to the severe labor shortage (including direct employees and general employees) in Taiwan, despite that the recruitment of foreign became available, the booming development arising from industry recovery gave rise to work opportunities; therefore, the recruitment achievement rate of Taoyuan Plant in 2022 was 50%.

Overview of talent recruitment of ACME from 2020 to 2022

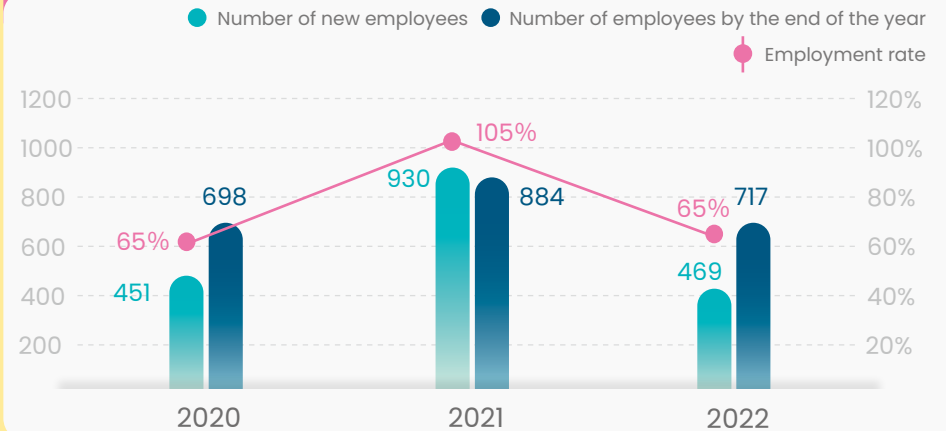
Taiwan



Kunshan Plant



Guangzhou Plant



Note: Employment rate = (number of new employees/number of all employees)

Gender, age, and region distribution of new employees of ACME in 2022 (GRI 401-1)

Item/description	Taiwan		Kunshan Plant		Guangzhou Plant	
	Male	Female	Male	Female	Male	Female
Gender and age distribution of new employees						
Under 30	13	1	101	60	218	148
31 - 50	26	8	102	131	43	60
Over 51	3	1	3	6	0	0
Registered domicile distribution of new employees						
Taiwan	34		3		2	
Mainland China	0		399		467	
Thailand	16		0		0	
The U.S.	0		1		0	
Malaysia	2		0		0	

Employee turnover

The Company respects employees' personal planning; 53% and 46% of employees resigned are below 30 and between 31 to 50, respectively. With the changes in the macroeconomy, the turnover rate of the two plants in Mainland China is high due to returning home, self-entrepreneurship, care for families, continuing education, and other options.

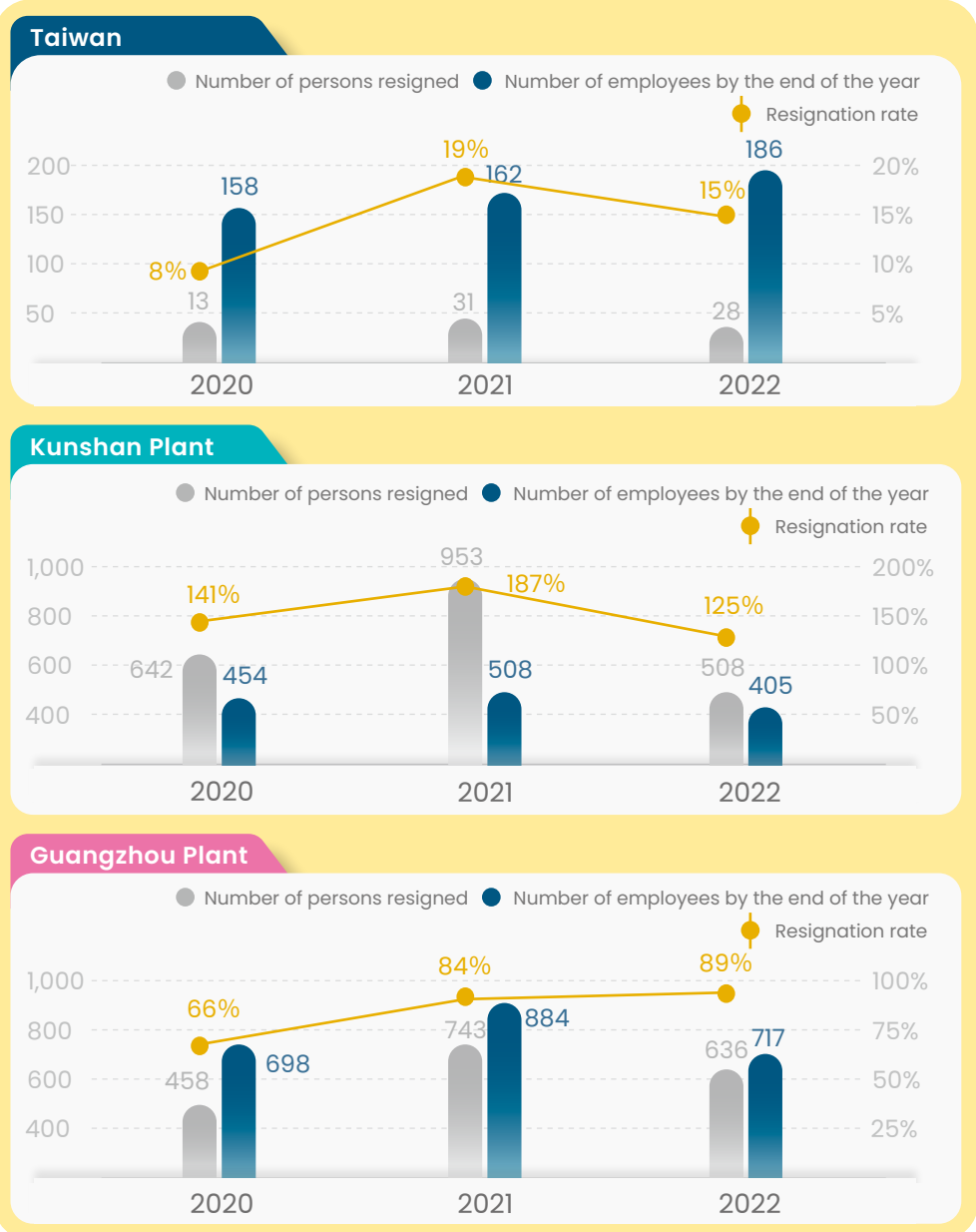
The resignation category was majorly self-applied resignation in 2022. The reasons for self-applied resignation in Taiwan are majorly health, career planning, and family, and reasons in Mainland China are majorly returning home for employment, care for families, continuing education, and health.

In 2022, the turnover rate decreased in general as compared to 2021, and only a slight increase was recorded for Guangzhou Plant. Persons who resigned were generally new employees with low stability who could not adapt to the working environment, corporate culture, and relationships with colleagues. Furthermore, the poor market environment in 2022 resulted in a drop in orders; the Company adopted human resources optimization measures to improve personnel efficiency. Persons who resigned within six months in Kunshan Plant and Guangzhou Plant accounted for 69% and 57% of the total resigned persons.

To improve the stability of new employees, we adopt measures in different stages as follows:

<div style="border: 1px solid orange; border-radius: 15px; padding: 5px; display: inline-block; margin-bottom: 10px;">Interview stage</div> <div style="font-size: 2em; font-weight: bold; margin-top: 10px;">1</div> <p>Directly guide applicants to visit the working site and describe the job content in detail.</p>	<div style="border: 1px solid orange; border-radius: 15px; padding: 5px; display: inline-block; margin-bottom: 10px;">Probation stage</div> <div style="font-size: 2em; font-weight: bold; margin-top: 10px;">2</div> <p>Provide care and timely consultation and carry out training to learn more about the Company.</p>
<div style="border: 1px solid orange; border-radius: 15px; padding: 5px; display: inline-block; margin-bottom: 10px;">Formal employment stage</div> <div style="font-size: 2em; font-weight: bold; margin-top: 10px;">3</div> <p>Provide employee services and consultation, assist in career planning, continue to provide in-service training to improve abilities, and offer reasonable performance reviews and remuneration and welfare.</p>	<div style="border: 1px solid orange; border-radius: 15px; padding: 5px; display: inline-block; margin-bottom: 10px;">Countermeasures</div> <div style="font-size: 2em; font-weight: bold; margin-top: 10px;">4</div> <p>Employees of the two plants in Mainland China are majorly from other provinces. To assist new employees in adapting to the new job and living environment as soon as practicable, the Company organized new employee seminars, various entertainment activities, and birthday parties to allow employees to feel the warmth of the Group.</p>

Overview of employee resignation of ACME from 2020 to 2022



Note: Resignation rate = (number of employees resigned/number of all employees)

Gender, age, and region distribution of resigned employees of ACME in 2022 (GRI 401-1)

Item/description	Taiwan		Kunshan Plant		Guangzhou Plant	
	Male	Female	Male	Female	Male	Female
Gender and age distribution of resigned employees						
Under 30	7	1	106	78	257	167
31 - 50	10	3	147	165	93	118
Over 51	5	2	8	4	1	0
Registered domicile distribution of resigned employees						
Taiwan	21		0		1	
Mainland China	0		508		635	
Thailand	6		0		0	
Malaysia	1		0		0	
Resignation category						
Self-applied resignation	17		502		570	
Contract expiry, retirement, internal rotation, and leave without pay	11		2		1	
Non-voluntary resignation	0		4		65	

Human rights protection

Human rights policy (GRI 2-23)

The Company referred to the International Bill of Rights, [Declaration on Fundamental Principles and Rights at Work] of ILO, and other human rights standards recognized internationally and established human rights policies, with the approval of the Chairman, that apply to the Company and affiliates of USI Group to avoid invasion and violation of human rights. Apart from providing a reasonable and safe workplace, the Company allows current employees to have reasonable treatment of dignity.

Human rights identification and evaluation

We carry out human rights risk identification each year and execute compliance inspections and third-party evaluations regarding human rights topics of concern that were identified. Based on the risk assessment results and the deficiencies found in internal and external audits, we adopted mitigation and correction measures and continued to improve to achieve the purpose of risk management.

Human rights topics involve different business departments. The human affairs department carries out human rights due diligence and risk management for different targets under effects and human rights topics.

The Company established steps and commencement procedures for different stages of human rights management to serve as the basis for protecting human rights, including the following:

Human rights due diligence procedures (GRI 2-24)

Stage 1: Commitment

1 Statement Make external commitments and comply with international specifications and local laws and regulations, and establish human rights policy.

Stage 2: Management

2 Identification Confirm the material human rights issues based on the organizational attribute and style of operations, and targets under effects.

3 Evaluation and analysis Regularly evaluate human rights impacts regarding all employees and service processes to understand the risk exposure level.

Stage 3: Countermeasures

4 Actions and practices

- Formulate different action plans based on the level of human rights risks regularly evaluated.
- Track the execution progress and performance of action plans while engaging in communications to ensure the effectiveness of human rights management.
- If there is any human rights invasion case, improve the system and provide compensation with physical benefits and counseling.

5 Reports

Carry out internal human rights management discussions and reporting and publicly disclose human rights management practices and achievements on the corporate website.

Human rights management achievements in 2022 (GRI 2-24)

There was no material violation of laws during the year. The Company will continue to organize human rights-related educational training. For content related to human rights training, please refer to the corporate website (<https://www.usig.com/ACMECSR/Personnel.aspx>). After carrying out risk identification according to the execution directions under the human rights policy of the Company, a total of 14 human rights topics were included for the year, in which there are eight topics of major concern. The item of risk is "long working hours". The mitigation measures and impact compensation measures implemented are as follows:

Issue	Mitigation measure	Compensation measure
Long working hours	<ol style="list-style-type: none"> Overtime work shall obtain the consent of employees, and employees may opt to collect overtime payment or complementary leave. The system requires employees to specify whether the reasons for delay leaving the workplace are personal reasons or official work. The HR Section regularly examines the overtime work status of companies and follows up to understand the reason. 	<ol style="list-style-type: none"> If employees work overtime, the Companies pay overtime payments according to the law. Understand the workload and overtime reasons of employees and actively carry out procedure improvement and optimization to assist in improving work efficiency. Persons who have long working hours are included in the abnormal workload identification and risk investigation list. We regularly organize employees' health inspections and discretionally adjust relevant operations and human resources status.

Salary system (GRI 405-2)

The Company adheres to the philosophy of profit sharing with employees to attract, retain, cultivate, and motivate outstanding talents and provides a diversified and competitive salary system.

The starting salary of new employees of the Company is based on the principle of the same salary for the same position. Persons with equivalent academic backgrounds and experiences engaging in equivalent duties shall have the same compensation. After employment, appropriate salary adjustments or performance bonuses will be offered based on individual performance.

Regarding the salaries of grass root level personnel of Taoyuan Plant, foreign workers are subject to the basic wages announced by the government, and local male and female laborers in Taiwan have consistent salaries that are slightly higher than the basic wages.

The standard salaries of the grass root level personnel in Kunshan Plant and Guangzhou Plant are equivalent to the local minimum salaries and consistent among males and females.

Ratios of standard entry-level wage by gender compared to local minimum wage

	2020		2021		2022	
	Male	Female	Male	Female	Male	Female
Taiwan	1	1	1.06	1.06	1.09	1.09
Guangzhou Plant	1	1	1	1	1	1
Kunshan Plant	1	1	1	1	1	1

To seek stable human resources and retain outstanding talents, the Company regularly evaluates the salary standards in the market and makes appropriate adjustments and plans for employees' salaries, and has special salary adjustments for outstanding talents with excellent performance to achieve the salary standard of market competitiveness.

Salaries of non-supervisor full-time employees

In 2022, the number of non-supervisor full-time employees, average salaries, and median are shown in the following table. The average salary and median were reduced as compared to the preceding year, primarily due to the decrease in year-end bonuses of employees resulting from the decrease in profits of the Company as compared to the preceding year.

Item/description	2022	Difference with the preceding year
Number of non-supervisor full-time employees	133	+16
Average salaries of non-supervisor full-time employees (NT\$ thousands)	858	-37
Salary median of non-supervisor full-time employees (NT\$ thousands)	781	-38

Note: The table does not include the two plants in Mainland China and only includes non-supervisor full-time employees of the Taoyuan Plant and Taipei Office.

Happy workplace (GRI 401-2)

Comprehensive and carefree welfare measures are the key to talent retention. Employees and foreign or local laborers in Taiwan, regardless of Taipei Office or Taoyuan Plant, are entitled to labor insurance, health insurance, and the appropriation of labor pension according to the law, and the Company has the following employee care benefits:

- 01 Provide free group insurance for employees, and family members of employees may also enjoy it at a discount price.
- 02 Provide preventive healthcare and health inspections more favorable than laws and regulations once a year.
- 03 Provide dining and transportation subsidies, uniforms, safety shoes, and dormitory facilities to care for employees' basic necessities.
- 04 Provide gift money on May 1 to jointly celebrate Labor Day with employees.
- 05 Provide gift money for marriages, funerals, and celebrations to share the emotions of employees.
- 06 Provide comprehensive assistance via different contracted merchandise, including restaurants, hotels, leisure and entertainment, or medial health checks.

For the two plants in Mainland China, apart from offering five insurances and one fund for employees in Mainland China according to the law, we distribute festival gift money on the Mid-autumn Festival, Dragon Boat Festival, and other traditional festivals, distribute gift money for marriage, funerals, and celebrations, distribute birthday voucher or organize birthday parties for employees, provide free occupational health inspection and purchase group accident insurance, and free meals.

The Company established its Employee Welfare Committee (the "EWC") according to the law. EWC comprises 11 representatives elected by employees through voting and 2 business execution personnel appointed by the employer. Meetings are held every three months, and extraordinary meetings may be held when necessary. EWC is responsible for the distribution of gift money for three major Chinese festivals and marriages, funerals, and celebrations to employees, year-end dinners, company trips, and gatherings. The Company appropriates 0.05% of its total monthly operating revenue and 40% of scrap disposal income as the activity funding of EWC. In 2022, a total of NT\$1,012 thousand was appropriated as the funding of EWC, which accounted for approximately 0.6% of the total salaries.

Kunshan Plant established its labor union in 2016. There are one chairperson, one vice chairperson, and five members. The labor union arranges employees' welfare. Guangzhou Plant has not established its labor union. The Company's administration department coordinates and arranges employees' welfare. (GRI 2-30)

Taoyuan Plant's employee trip to Nantou



Employee gathering in Taipei



Basketball game participated by the basketball team of Guangzhou Plant



Guangzhou Plant prepared snacks for residing employees on the Chinese New Year Eve and distributed new year red envelopes



Senior employee award at the year-end dinner of Kunshan Plant



Gifts distribution for award winners at the year-end dinner of Kunshan Plant



Foreign worker

International human rights equality shall be valued by companies that commit to globalization. As the Company employs foreign workers, it has a deep conception of this.

New Employee Training

We provide on-boarding descriptions, including national laws and regulations, health information, county/city government consultation service center, and Thai broadcasting radio.

Catering Requirements

Among three meals a day, foreign workers may choose Thai food for one to two meals.

Living Environment

There is Chinese-Thai translation equipment in place, and we welcomed Phra Phrom to pray. We provide living space and comfortable A/C more favorable than that of the regulations and have free Wi-Fi networks, satellite channels, and audio and video equipment.

Agency Requirements

The agency shall obtain grade A, the highest standard, in the evaluation of the Department of Labor and have professional assistance in residence permit application, health inspection, tax filing, leave-taking, and relevant service operations.

Communication Channel

The Company at least visits foreign workers with agents and interpreters three times a month for mutual communication. An opinion mailbox and a foreign worker dormitory management personnel are in place for requirement reflection at any time.

Welfare Measures

Apart from rights equivalent to that of local laborers, Songkran gift money is distributed to foreign employees for their pain to leave their hometown.

Nursery leave without pay (GRI 401-3)

Regarding the nursery requirements, employees may apply for nursery leave without pay before their children reach three years old, and the leave may be up to two years. The initial position will be preserved for employees for reinstatement. If necessary, contracted personnel for a fixed term will be employed to work on behalf of employees, allowing employees to work at ease in the Company and raise their children without concern.

Apart from providing nursery leave for application according to the requirements, we have comfortable nursery rooms with A/C, clean breast milk storage space, and flexible nursery time. In addition, we signed a contact with a local kindergarten that provides nursery discounts for children's activities, planting different plants, and providing teaching and entertainment.

Pension appropriation (GRI 201-3)

In Taiwan, the Company has established its retirement regulations for all formal employees according to the requirements of the Labor Standard Act and Labor Pension Act to appropriate pension reserve for employees to the Trust Department of the Bank of Taiwan and the personal pension account of employees with the Bureau of Labor Insurance on a monthly basis. Furthermore, in response to the amendments to the Labor Standard Act in 2017, there are requirements for a full appropriation of pension reserve. The Company calculates the amount to be supplemented in the following year at the end of the year and deposits such amount into the accounts before March to guarantee that each employee who applies for retirement according to the law can receive their pension. The five insurances and one fund offered to employees in Mainland China according to the laws include endowment insurance.

Number of persons applied for nursery leave with pay and reinstatement and retention status of ACME in 2022

	Taiwan	
	Male	Female
Number of persons who are qualified for applying for nursery leave without pay of the year	3	3
Number of persons who applied for nursery leave without pay of the year	1	0
Number of persons who applied for nursery leave without pay to be reinstated of the year	1	0
Number of persons who applied for nursery leave without pay reinstated during the year	1	0
Reinstatement rate (number of actual persons reinstated/number of persons to be reinstated)	100%	-
Number of persons who applied for nursery leave without pay and still in service 12 months after reinstatement	-	1
Retention rate (number of persons who applied for nursery leave without pay and are still in service 12 months after reinstatement/number of persons reinstated in the preceding year)	-	100%

Note: Mainland China has no relevant requirements; therefore, the table excludes the two plants in Mainland China.

Pension under the old system of the Labor Standard Act

Employer: Appropriate 2% of the monthly salaries as the pension reserve of laborers

Level of participation of employees in their retirement plan

100%

Pension under the new system of the Labor Standard Act

Employer: 6% of the monthly salaries
Laborer: 0% to 6% of the monthly salaries

Level of participation of employees in their retirement plan

100%

Communication channel (GRI 2-30)

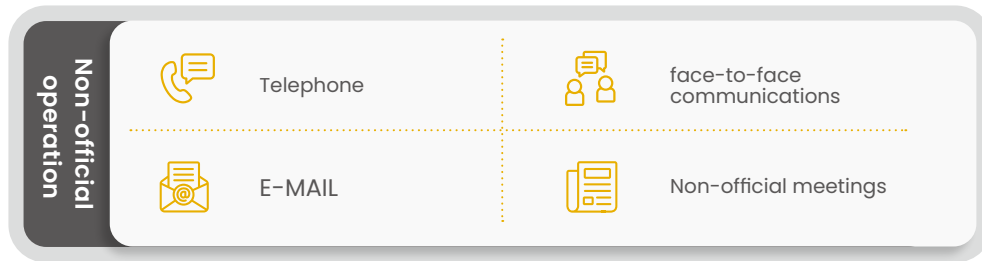
There is no labor union in Taiwan; therefore, there is no group agreement. However, the Company's employee communication channels are uninterrupted. Kunshan Plant established a labor union in 2016 to serve as the communication channel between employees and the Company. Guangzhou Plant has no labor union, and the administration department coordinates, examines, and makes responses in due course at all times.

Official operation

All-hands meetings, labor-management meetings, EWC meetings, meetings of the Supervisory Committee of Labor Retirement Reserve, and other meetings from time to time

Disclose information via the bulletin, USI Group service website, corporate website, and MOPS

Employee opinion reflection mailbox, improvement proposal section, and employee satisfaction survey



Official meetings (i.e., all-hands meetings, labor-management meetings, EWC meetings, and meetings of Supervisory Committee of Labor Retirement Reserve) have meeting minutes and follow-up on the response results, and relevant resolutions will be implemented. Information disclosed is published on websites by category for employees' inquiries. If employees have any questions, they may find answers via meetings, telephone, e-mail, non-official meetings, and other channels at any time.

We set up employee opinion reflection mailboxes and improvement proposal sections at public locations to allow employees to provide their personal opinion at any time. We also established a workplace illegal infringement prevention taskforce according to the law to dedicate to handling similar cases and publish the member list of the workplace illegal infringement prevention taskforce for employees to file their complaints. There have been no such cases in recent years.

We regularly carry out employee satisfaction surveys each year to understand employees' expectations so as to satisfy employees' requirements within reasonable and legal scope.

Employee opinion survey report

The employee satisfaction survey performed in Taiwan will make an analysis and comparison each year based on department, job level, or region. In general, the level of satisfaction was favorable in 2022.

Satisfied item

- 1 Employee welfare
- 2 Interpersonal relationship
- 3 Educational training/ administrative management

Unsatisfied item

- 1 Promotion channel/work environment
- 2 Cafeteria's food
- 3 Employee compensation plan

Regarding the unsatisfied items, catering companies near the plant are limited; the Company will require the supplier to make adjustments to the cafeteria's food as soon as practicable. For salaries and promotion channels, as employees are stable and the organization has a long history, promotion opportunities are limited; therefore, we will explore the possibility of duties expansion and duty rotation within reasonable and legal scope to satisfy employees. The work environment is listed as a key improvement item that is adjusted on a yearly basis.

The two plants in Mainland China perform an employee satisfaction survey each year for the purpose of diagnosing the management and system questions and deficiencies of the Company for the past year while learning the actual feelings of employee by the middle and senior management personnel so as to allow the Company to provide effective solutions, improve employees' level of satisfaction, improve production effect and achieve mutual-win between the Company and employees. The employee satisfaction survey focuses on measuring factors closely related to the benefits of employees, thus the survey is mainly focused on environment, job, promotion, management, and remuneration.

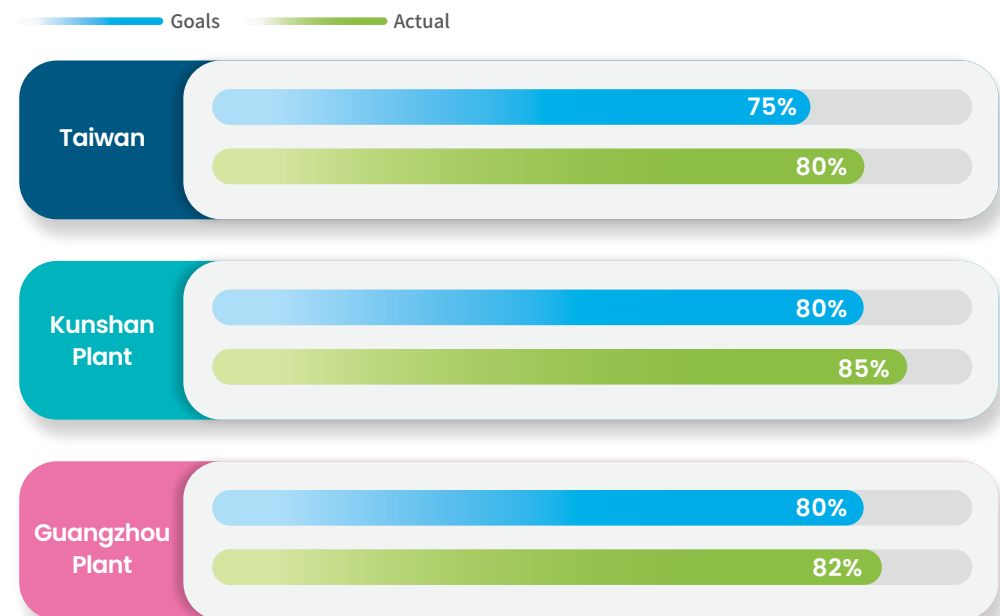
In 2022, the employee satisfaction of employees of the two plants in Mainland China has achieved the target. Employees are more satisfied with the "environment", "job", and "management", which achieves the satisfaction management target of the Company. In particular, the environment gained the highest satisfaction.

"Salary" has lower satisfaction, which is exhibited in the slightly lower satisfaction of employees toward salaries. For such circumstances, the Company has made examinations and improvements regarding salary packages in 2022.

In 2022, Guangzhou Plant has continued to improve salaries and helped employees to have houses in Guangzhou and solve school entrance problems, allowing employees to feel a sense of belonging and happiness.

Apart from the employee salary adjustments in August 2022, Kunshan Plant's labor union organized female employees cancer screening, skill competitions, and other activities to improve employees' cohesion.

Employee satisfaction survey of ACME in 2022



In 2022, the total training hours in Taiwan and the two plants in Mainland China totaled 73,565 hours, and the average training hours per person throughout the year was 56.2 hours. The average training hours in Taiwan, Kunshan Plant, and Guangzhou Plant were 67.8, 50.8, and 56.3 hours, respectively, achieving the target of 48 hours for each of Taiwan, Kunshan Plant, and Guangzhou Plant.

For the training category, professional training for different functions are the majority. The proportion of common knowledge category (health, morality, and safety) is also high, showing that apart from professional literacy, the Company attaches attention to the five disciplines cultivation of employees. External training is majorly for compliance with regulatory requirements and professional training of different functions. In 2023, it is planned to carry out employee training activities for 48 hours in Taiwan, Kunshan Plant, and Guangzhou Plant as the target. The focus is on quality management, employees' safety, 6 sigma black belt certification, project management, and relevant training courses.

Statistics of educational training hours of ACME in 2022

Taiwan

Employee category	Unit	Male	Female	Total
Senior Supervisors (above assistant manager)	Number of persons	42	4	46
	Number of hours	2,657	355	3,012
	Average (hour/person)	63.3	88.6	65.5
Junior and intermediate supervisors (team leader and section chief)	Number of persons	16	5	21
	Number of hours	977	338	1,315
	Average (hour/person)	61.1	67.6	62.6
General employees	Number of persons	85	34	119
	Number of hours	5,766	2,512	8,278
	Average (hour/person)	67.8	73.9	69.6

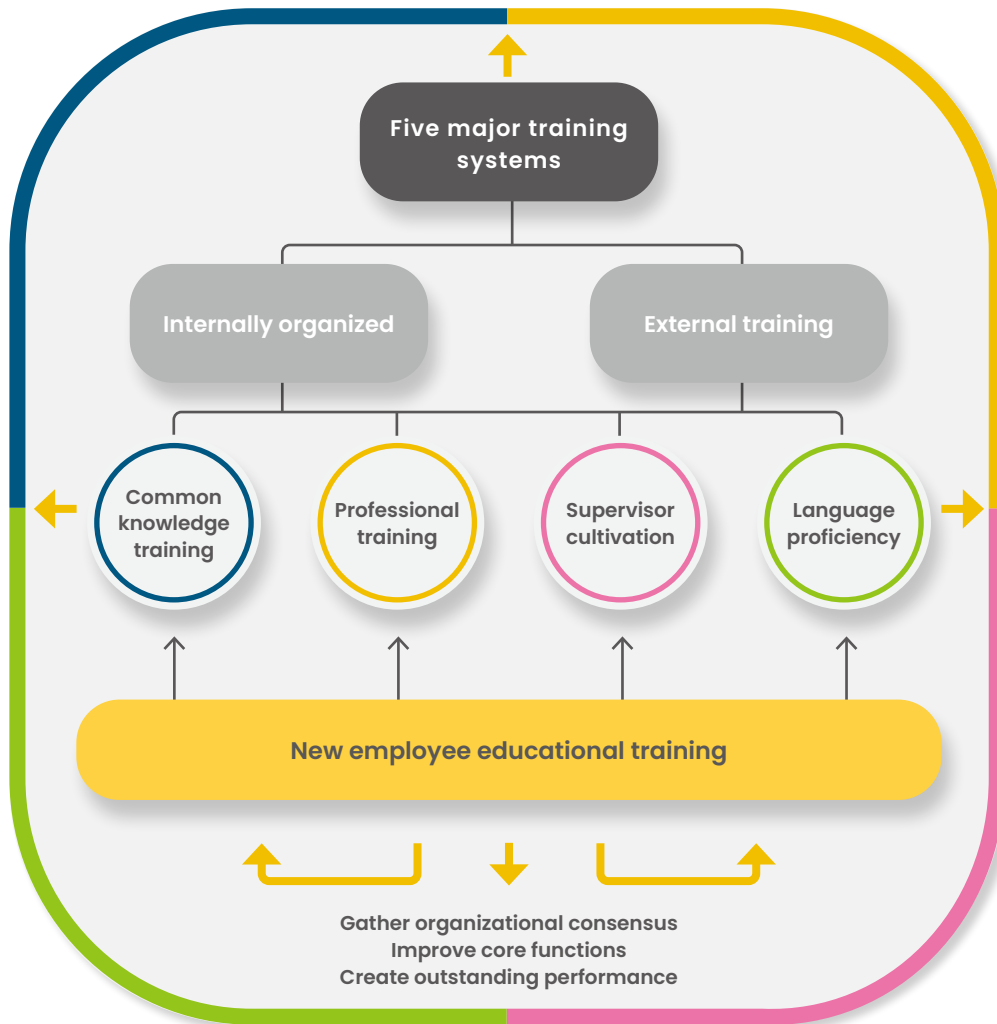
Kunshan Plant

Employee category	Unit	Male	Female	Total
Senior Supervisors (above assistant manager)	Number of persons	10	3	13
	Number of hours	876	209	1,085
	Average (hour/person)	87.6	69.7	83.5
Junior and intermediate supervisors (team leader and section chief)	Number of persons	17	9	26
	Number of hours	1,182	450	1,632
	Average (hour/person)	69.5	50.0	62.8
General employees	Number of persons	209	157	366
	Number of hours	10,298	7,574	17,872
	Average (hour/person)	49.3	48.2	48.8

Guangzhou Plant

Employee category	Unit	Male	Female	Total
Senior Supervisors (above assistant manager)	Number of persons	7	2	9
	Number of hours	884	64	948
	Average (hour/person)	126.3	32.0	105.3
Junior and intermediate supervisors (team leader and section chief)	Number of persons	31	13	44
	Number of hours	1,909	783	2,692
	Average (hour/person)	61.6	60.2	61.2
General employees	Number of persons	310	354	664
	Number of hours	20,275	16,456	36,731
	Average (hour/person)	65.4	46.5	55.3

Human capital is a material corporate asset. We have organized five major training systems:



01 New employee educational training

Understand the Company's systems, environmental safety matters, and relevant ISO policies.

02 Common knowledge training

Various courses to improve employees' knowledge or skills.

03 Employees' professional training

Improve techniques required for work based on different functions and duties.

04 Supervisor cultivation training

Management skills and planning ability for persons who will become supervisors in the future or are supervisors.

05 Language training

Organize employees' online English courses in response to the Group.

06 Qualification certification training for special positions

Provide to obtain certifications required by the governmental laws and regulations and special certification for automotive products to adapt to the latest requirements of the government and customers.

07 Traffic safety training

Continue to promote traffic regulations to improve employees' traffic safety awareness.

Relevant handouts and teaching materials are uploaded to the training teaching material sharing platform of the Company for employees to access at all times and serve as reference books for inquiries.

To encourage employees to continue to make progress and exert their expertise at work, we have established the Regulations for Qualification Certification. After qualified persons have participated in training for a certain time, they may participate in the exam. Persons who pass the requirements stated can obtain additional technical allowance subsidies, and there are different amounts of subsidies for the qualification certification based on the grade. We also specified that if the persons are not in their positions or if their technical skills no longer exist, the subsidy will not be distributed for employees to remain alert and continue to make progress and grow with the Company.

Career development training courses organized for in-service employees may improve employees' functional techniques and leaning capacity and, in turn, extend as the personal lifelong learning basis. If employees retire or resign in the future, such courses can still serve as the skill foundation of the transfer or retirement life planning.

6 sigma green belt training project courses

To improve the problem analyzing and solving capacity of employees and to continue to improve product quality, 6 sigma green belt training project courses are organized for Taoyuan, Guangzhou, and Kunshan Plants.

- ◆ In 2022, a total of 13 persons of Taoyuan Plant participated in the training, and 11 persons passed the written test and successfully obtained the green belt certification from the project certification, and 2 persons applied for certification extension for one year due to busy work; the achievement rate was 100%.
- ◆ In 2022, a total of 17 persons of Guangzhou Plant participated in the training, and 17 persons passed the written test and successfully obtained the green belt certification from the project certification; the achievement rate was 100%.
- ◆ In 2022, a total of 48 persons of Kunshan Plant participated in the training, and 48 persons passed the written test and successfully obtained the green belt certification from the project certification; the achievement rate was 100%.

The 6 sigma annual competition was held on January 13, 2023. The top two persons in each plant met via a video conference for the competition, and Chairman Wu and other senior officials within the Group were invited to join for instructions to select the best project in 2022.



Certification awarded to
Taoyuan Plant



Certification awarded to
Kunshan Plant



Certification awarded to
Guangzhou Plant



Best project of 2022



TRIZ training project courses

To improve employees' ability to use technologies and advanced management tools and accelerate the R&D innovation of new products of the Company to take the early opportunities in the market, we organized TRIZ training project courses for Taoyuan, Guangzhou, and Kunshan Plants in 2022.

- ◆ In 2022, a total of 34 persons of Taoyuan Plant participated in the training, and 34 persons passed the certification written test and successfully obtained the TRIZ certificate; the achievement rate was 100%.
- ◆ In 2022, a total of 51 persons of Guangzhou Plant participated in the training, and 51 persons passed the certification written test and successfully obtained the TRIZ certificate; the achievement rate was 100%.
- ◆ In 2022, a total of 43 persons of Kunshan Plant participated in the training, and 43 persons passed the certification written test and successfully obtained the TRIZ certificate; the achievement rate was 100%.

Training at Taoyuan Plant



Training at Guangzhou Plant



Training at Kunshan Plant



Performance evaluation system (GRI 404-3)

A favorable performance evaluation system, together with appropriate incentives, is one of the motivations to encourage employees to exert their potential. Based on different features of employees, the Company established evaluation methods and frequency for direct personnel, indirect personnel, and senior management, respectively. Evaluation items have quantitative and qualitative ratios, to avoid the partiality of any item and achieve a reasonable and fair balance. In addition, in 2016, to implement human capital development, we introduced a consultant to carry out the planning and execution of the entire human resource development system in the hope of systematically evaluating and cultivating talents and allowing the functions of performance evaluation to be promoted to position evaluation and prospectus planning.

All employees of the Company shall participate in the evaluation operation; however, new employees who joined the Company for less than a month are exempted.

In 2022, the results of the performance evaluation of the entire Company were above grade B, complying with the requirements.

4.3 Occupational safety and health

Management approaches

(GRI 3-3, 403-1, 403-8)

Sustainability principle: Happy workplace and social participation

Strategic policy

Continue to reduce safety and health risks, prevent and reduce occupational disasters, and improve employees' health.

Commitment

Zero disasters, zero accidents, zero injuries/illnesses, and zero violations of laws

Management impact

positive/negative impact item

Actual positive impact - create friendly workplace environments - reduce resignation rate and occupational disaster occurrence.

negativity remedies and preventive measures

-

2022 Target

Zero disasters, zero accidents, zero injuries/illnesses, and zero violations of laws

2022 Performance

In 2022, two cases of occupational diseases occurred at Kunshan Plant; both cases were employees with posts of noise for the processing workshop.

 Not achieve the goal

2023 Target

Zero disasters, zero accidents, zero injuries/illnesses, and zero violations of laws

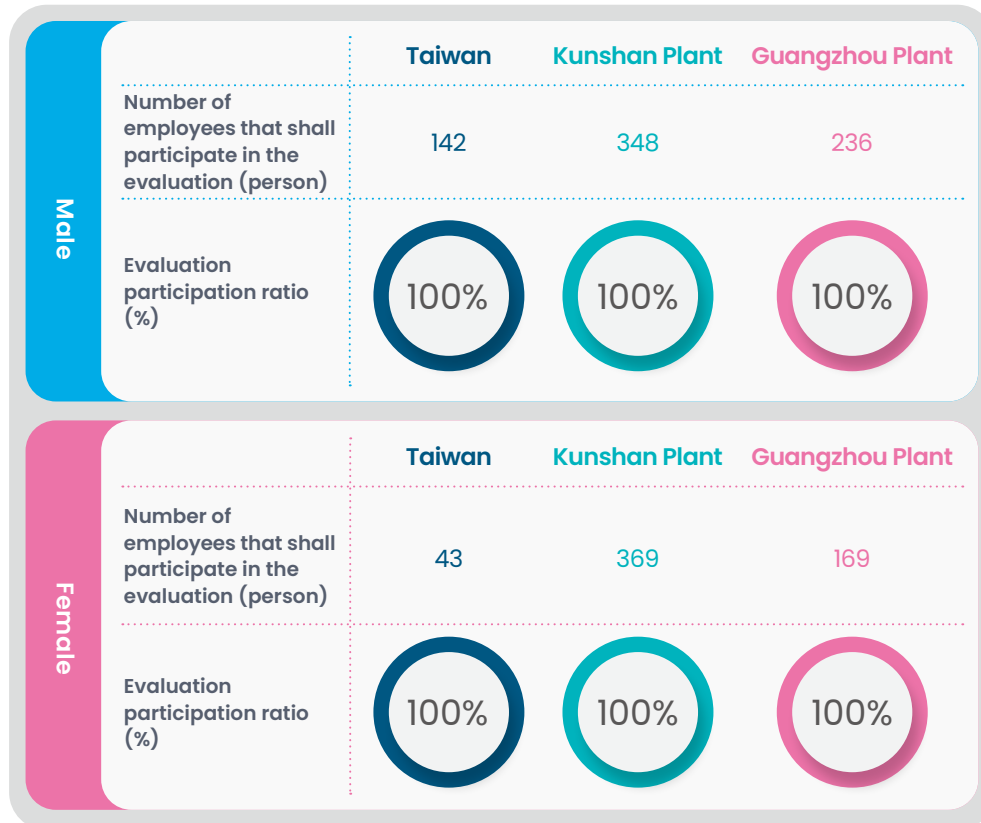
2025 Target

Zero disasters, zero accidents, zero injuries/illnesses, and zero violations of laws

2030 Target

Zero disasters, zero accidents, zero injuries/illnesses, and zero violations of laws

Employees' participation in the performance evaluation of ACME in 2022



Note: Grade A: 90-100; grade B: 80-89; grade C: 70-79; grade D: 60-69.

To ensure the workplace safety and physical and mental health of employees, contractors, customers, visitors, and all relevant personnel, the Company continued to improve its safety and health, emphasized work safety, and jointly committed to the highest target of zero disasters, zero accidents, zero injuries/illnesses, and zero violations of laws. All employees comply with the following safety philosophy:

- 01 All injuries and occupational diseases can be avoided
- 02 Hazard exposures of all operations can be prevented in advance
- 03 Preventing employees' injuries is the responsibility of the management
- 04 It is necessary to provide training to employees to have the skills to work safely
- 05 Work safely is the duty of employees
- 06 Constant safety audits are required
- 07 Improvements shall be made as soon as practicable when discovering any safety concern
- 08 Safety of contractors is of the equivalent importance as employees' safety
- 09 Safety of employees after work is also important

Taoyuan Plant has established its "Occupational Safety and Health Management SOP". Taoyuan Plant, Kunshan Plant, and Guangzhou Plant have otherwise established consistent "Regulations for Safety and Health Management" for joint implementation to protect the safety and health of employees and workers (contractors) while operating machines and equipment at the workplace. In 2022, the Regulations for Safety and Health Management covered a total of 1,308 employees of the Taipei Office, Taoyuan Plant, Guangzhou Plant, and Kunshan Plant; the coverage rate was 100%.

To continue advancing occupational safety and health management, Taoyuan Plant introduced the ISO 45001 occupational safety and health management system in 2022 and obtained the verification on December 22.



Accident investigation procedures (GRI 403-2)

The Company has established its accident investigation procedures for disabling injuries, non-disabling injuries, and false alarm cases of all operating activities in plants to record, investigate, analyze, and examine the cases in order to prevent the re-occurrence of accidents or false alarms and protect employees' safety and health.



Accident processing

Upon the occurrence of an occupational disaster, apart from first aid for injured persons, the on-site responsible personnel shall immediately report and fill out the "disaster report" and submit it to the supervisor of the department.



Investigation and examination

The supervisor of the department with the accident that occurred shall submit a "disaster report" that includes the detailed cause of the accident and the corrective measures or improvement countermeasures proposed to the administration, environmental protection, and occupational safety and health departments to verify the responsibility attribution.



Improvement follow-up

The "disaster report" reviewed by the plant manager and the President shall be announced for public awareness, and the improvement matters shall be tracked.

Employees' health management handbook (GRI 403-6)

To help employees learn and understand the environmental health and safety policies, systems, and requirements in the hope of fulfilling the purpose of protecting employees' health and safety, the Company prepared and provided its health management handbook to all existing and new employees in 2020.

The employees' health management manual is in both Chinese and Thai, and the content includes the health safety duties of the Company and its employees, the environment layout of Taoyuan Plant, regulations, occupational health protection measures, personal protection equipment management, smoking cessation and catering health promoting education, and employee communication platforms.

Occupational health protection measures include the common prevention of musculoskeletal disorders due to repeated operations, prevention of diseases due to abnormal workload, prevention of illegal infringement when executing duties, and maternity health protection. As the ferrite powder produced by Taoyuan Plant requires operations of material mixing, granulation, calcination, crushing, and grinding, employees involved in such operations are more than half of the employees of the plant, and they are worthy of attention and care. Therefore, the handbook particularly focuses on the descriptions of protection measures for dust, noise, manganese and its compounds, nickel and its compounds, and other hazardous operations.

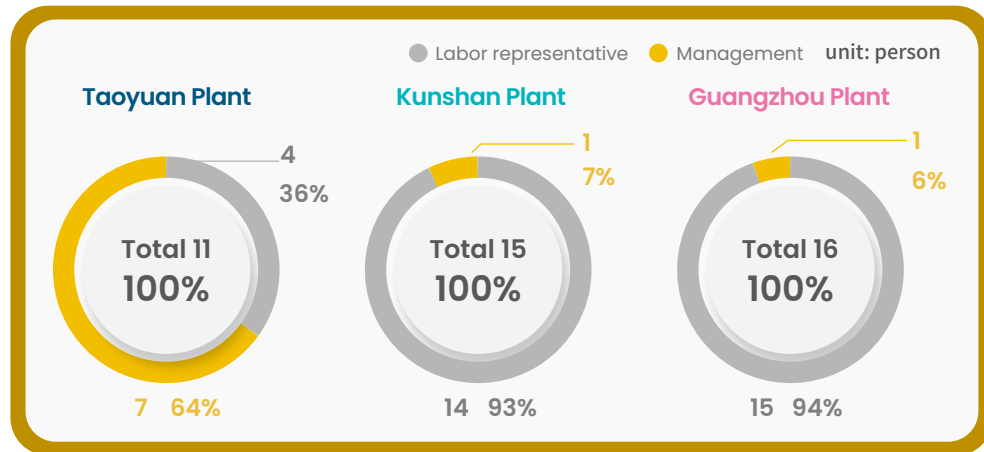


Occupational safety and health organization (GRI 403-4)

Taoyuan Plant has established its "Occupational Safety and Health Committee" according to the Regulations of Occupational Safety and Health Management. Labor representatives are nominated by all workers and selected by all workers by voting. Four labor representatives accounted for 36% of the committee and accounted for 3% of all employees. The committee meeting is held once every quarter for labor representatives to speak for all employees and discuss environmental safety and health-related topics with the management.

According to the "Work Safety Law", "Fire Control Law", "Occupational Diseases Law", and "Labor Law" in the People's Republic of China, Kunshan Plant and Guangzhou Plant have established their "work safety and occupational health management organizational institution" and "emergency response management organizational institution" with subordinated dedicated safety management institution and personnel, representative of the institution and personnel are appointed after they are qualified with a certificate.

Labor-management ratio of the occupational safety and health organization of ACME



Disabling injuries and absence of employees (GRI 403-9, 403-10)

In 2022, there was no occupational disaster accident in Taipei Office, Taoyuan Plant, Kunshan Plant, or Guangzhou Plant.

In 2022, two occupational diseases occurred in Kunshan Plant, and both cases were employees of the processing workshop with hearing damages arising from the noise of the processing equipment. According to the "Standard for identify work ability—Gradation of disability caused by work-related injuries and occupational diseases" promulgated by the People's Republic of China, there are a total of ten grades of occupational diseases. Compliance with grades 1 to 4 means fully losing the labor capacity, compliance with grades 5 to 6 means losing the majority of labor capacity, and compliance with grades 7 to 10 means losing partial labor capacity. Two employees of Kunshan Plant were identified as grade 10 and grade 8, respectively.

To reduce hazard risks, for equipment, sound-proof housing has been installed for the respective processing workshops, and the Company regularly tests working environments each year. For employees, the Company organizes occupational disease health inspections for new employees before onboarding and regular occupational disease health inspections for in-service employees with posts involving occupational disease and promotes employees to wear safety protective equipment accurately.

Occupational injury statistics of ACME in 2022

	Kunshan Plant	
	Male	Female
Occupational injury rate recordable	0	0
Severe occupational injuries	0	0
Rate of fatalities as a result of work-related injuries	0	0
Disabling injury frequency rate (FR)	0	0
Disabling injury severity rate (SR)	0	0
Occupational disease rate (ODR)	0.01	0

Note:

*Occupational injury rate recordable = number of occupational injuries recordable (including the number of persons who passed away due to occupational injuries) x a million working hours/total working hours

*Severe occupational injuries = Number of severe occupational injuries (excluding the number of persons who passed away) x a million working hours/total working hours

*Rate of fatalities as a result of work-related injuries = Number of fatalities as a result of work-related injuries x a million working hours/total working hours

*Disabling injury frequency rate (FR) = number of injuries x a million working hours/total working hours

*Disabling injury severity rate (SR) = Number of days of injuries x a million working hours/total working hours

*Occupational disease rate (ODR) = Number of persons of occupational disease/total number of persons

Contractor safety management (GRI 2-8, 403-7, 403-10)

The Company has established its "Regulations for Related Parties", "Rules for Engineering Permit", and "Occupational Safety and Health Management SOP". A special operation application shall be submitted for the safety management of contractors' personnel based on the operating category, and a personnel operation control system shall be adopted; audits of such contracted operations shall be performed for daily operations. Apart from the comprehensive control system, we continued to improve our safety protection awareness to reduce the occurrence of accidents on contractors.

In 2022, no work injury or occupational disease occurred to contractors.

Fire control operation and emergency management (GRI 403-5)

The Company carries out regular response training and drills for hazards that may have material operating risks, including regular fire control drills, to minimize the risk of operation interruption.

The 3rd Team of the Taoyuan City Fire Department performed a comprehensive inventory of Taoyuan Plant in 2017 and re-examined the category and quantity of public hazardous materials under control in the plant, and the competent authority has approved Taoyuan Plant as a legal venue for use and storage after reporting. We cooperate with the Caoluo Team of Guanyin Industrial Park to carry out drills and promotions each year. Regular drills were performed in the first half and the second half of 2022; members of the Caoluo Fire Control Team joined the drills and provided guidance, and employees who joined the drills learned a lot.

Fire extinguisher using drills



Kunshan Plant regularly performed special equipment response drills, emergency rescue drills, and environment-related emergency rescue drills according to the "contingency plan for environmental emergencies of corporations", "contingency plan for production safety incident of production departments", "safety evaluation report of hazardous chemicals, and "evaluation report of the current status of occupational disease hazards". In 2022, a review was performed based on the "three levels of safe production standardization". In February 2023, it passed the evaluation and was announced.

Emergency rescue heatstroke drills



Hazardous waste leakage response drills

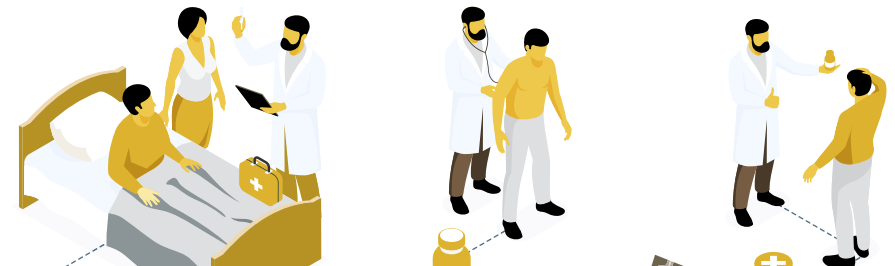


Guangzhou Plant has amended the "contingency plan for production safety incident" according to the latest regulations and archived it; It regularly carried out emergency rescue training or drills (initial fire-fighting drills, fire control/rescue instrument operating drills, and confined space emergency rescue and professional first-aid training) to reduce the risks of operation interruption.

Fire extinguisher training



Electric shock accident rescue drills



Employee healthcare (GRI 403-3、403-6、SASB RT-CH 320a.2)

Taoyuan Plant has organized appropriate health inspection plans based on the age of employees and the operating environments to discover hazardous health and potential sickness factors in advance. Contracted medical personnel performs the annual health inspections and carries out evaluations based on the anomaly ratio of employees, annual trends, group trends, and other screening items to be improved. Improvement items are sorted based on urgency, and a comprehensive intervention plan is organized to understand employees' individual requirements, assist in the arrangement for revisiting the hospital, and follow up on the healthcare of employees from time to time so as to provide comprehensive healthcare. For employees with high risks under special operation health inspections, one-on-one interviews with the doctor are arranged to understand the individual health inspection of such employees, and detailed descriptions of the personal dining habits and daily routine of such employees are provided.

To improve the management of occupational disease control, Kunshan Plant and Guangzhou Plant improved the standards for occupational disease control to duly protect the health and safety of laborers during the course of labor. The Company organized employees' health inspections according to relevant requirements under "Occupational Diseases Law" and "Requirements for Workplace Occupational Health Supervisory Management" of the People's Republic of China and implements pre-work, in-service, and post-work occupational disease health inspections for employees who come into contact with dust operations, noise operations, operations of manganese and its compounds, operations of nickel and its compounds, and other occupational hazardous factors.

Kunshan Plant arranged for female workers to participate in the "Two cancer screening" activity



Guangzhou Plant organized the 2022 employees' health inspection



Kunshan Plant organized the 2022 employees' health inspection



Employee health examination statistics of ACME in 2022

	Taoyuan Plant	Kunshan Plant	Guangzhou Plant
Item	Inspection rate	Inspection rate	Inspection rate
General health inspection	100%	100%	100%
Noise operation	100%	100%	100%
Dust operation	100%	100%	100%
Ionizing radiation operation	100%	-	-
Operation of manganese and its compounds	100%	100%	100%
Operation of nickel and its compounds	100%	100%	100%
Lighting operation	-	100%	-
High temperature	-	100%	100%
Oxynitride	-	-	100%
Stannic anhydride	-	-	100%
Copper smoke	-	-	100%
Benzene and its compounds	-	-	100%
Power frequency electric field	-	100%	100%
Methyl alcohol	-	-	100%
Ethylene glycol	-	-	100%

In response to the theme of World Health Day in 2022, "Our Earth, Our Health", we based on the targets of a happy economy, employees' well-being, fairness, and enterprise sustainability to protect employees' future health to allow the Company to grow further. Therefore, a three-month health easy-go activity was organized from July 22 to October 14 by way of a group competition. Employees understand the changes in their bodies via weekly blood pressure and weight measuring and health education, and an exercise group was established to upload the exercise photos, and diverse rating methods were adopted. After the end of the activity, bonuses were provided to teams with the top three grades, and special prizes were provided to employees with outstanding weight reduction performance as encouragement.

During the course, outdoor exercises also reduced the use of energy at home and imperceptibly achieved the effects of energy-saving and carbon dioxide reduction. Adopt the action strategy of health to allow the earth to become healthier in the future.

The Company appreciates 55 employees (9 are Thai workers) who participated in the activity; their actions responded to "Our Earth, Our Health" and allowed a healthier future.



Environmental safety and health educational training (GRI 403-5)

Environmental safety and health educational training and promotion is the basis for improving employees' safety awareness. The Company organizes various in-service training based on duty requirements to improve employees' safety awareness and concepts. In 2022, the statistics of educational training of the three plants in Taiwan and Mainland China are set out in the following table. A total of 13,892 persons (time) were trained, with 34,302 training hours.

Statistics of environmental safety and health educational training of ACME in 2022

Training category	Taoyuan Plant		Kunshan Plant		Guangzhou Plant	
	Person (time)	Number of hours	Person (time)	Number of hours	Person (time)	Number of hours
Safety responsible person certificate review	-	-	1	16	2	32
New safety manager certificate training	-	-	14	224	5	208
Safety manager certificate review	-	-	3	72	9	144
Fire control facilities operator (intermediate)	-	-	-	-	5	148
Fire control safety responsible person/manager	-	-	-	-	2	32
Explosive certificate acquisition training	-	-	-	-	6	240
Internal safety training	119	1,014	4,882	12,010	8,702	18,922
Occupational health manager certificate	1	12	1	24	1	6
Occupational health responsible person certificate	-	-	1	24	1	6
Hazardous operation supervisor (organic, special chemical, dust, lead, and hypoxic work) educational training	15	132	-	-	-	-
First responder training	5	45	-	-	-	-
Crane operator training	70	848	-	-	-	-
Forklift operator	46	119	1	24	-	-

Note: Times for the internal safety training, and the remaining were the number of persons.

4.4 Social participation

The Company adheres to the spirit of "taken from the community, giving back to society" to engage in continual interactions with communities and local groups, maintain friendly relationships, and participate in blood donation and other activities so as to exert the prospect and target of USI Group - "Create sustainable value and form sustainable society".

Due to the outbreak of COVID-19, blood banks in Taiwan faced a shortage of blood. Neihu Science Park Development Association initiated the "6th Neihu Science Park Blood Donation Activity", which was a donation activity for a period of three days stated from January 12, 2022.

USI Group was an assisting department. On January 14, 2022, blood donation was available at the USI Building plaza; 53 persons successfully donated 82 bags of blood, a total of 20,500 c.c..



To encourage the spirit of devotion of employees, Guangzhou Plant continues to respond to World Blood Donor Day each year by organizing employee blood donation activities to devote love and give back to society.





5

Appendices

5.1 Comparison List of Indicators of GRI Standards	93
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5.1 Comparison List of Indicators of GRI Standards

Statement of Use

Content reported by ACME Electronics Corporation in accordance with the GRI Standards of from January 1 to December 31, 2022

Adoption of GRI 1

GRI 1: Foundation 2021

GRI 2: General Disclosures 2021

	Disclosure Item	Chapter	Page	Note
The organization and its reporting practices				
2-1	Organizational details	1.2.1 Introduction to ACME	<u>09</u>	
2-2	Entities included in the organization's sustainability reporting	About the report	<u>02</u>	
		1.2.3 Introduction to affiliates	<u>12</u>	
2-3	Reporting period, frequency and contact point	About the report	<u>02</u>	
2-4	Restatements of information	About the report	<u>02</u>	No restatements of information
2-5	External assurance	About the report	<u>02</u>	
		5.3 External Verification Statement	<u>100</u>	
Activities and workers				
2-6	Activities, value chain and other business relationships	1.2.2 Our value chain	<u>11</u>	No significant change
		2.4.2 Supply chain management	<u>38</u>	
2-7	Employees	4.1 Talents attraction and retention	<u>65</u>	
2-8	Workers who are not employees	4.3 Occupational safety and health	<u>86</u>	
Governance				
2-9	Governance structure and composition	2.2.1 Governance structure and	<u>26</u>	
		2.2.2 Board composition and operation	<u>27</u>	
2-10	Nomination and selection of the highest governance body	2.2.2 Board composition and operation	<u>27</u>	
2-11	Chair of the highest governance body	2.2.2 Board composition and operation	<u>27</u>	
2-12	Role of the highest governance body in overseeing the management of impacts	2.2.2 Board composition and operation	<u>28</u>	

2-13	Delegation of responsibility for managing impacts	2.2.2 Board composition and operation	27
2-14	Role of the highest governance body in sustainability reporting	1.1.2 ESG Committee	09
2-15	Conflicts of interest	2.2.2 Board composition and operation	29
2-16	Communication of critical concerns	2.2.2 Board composition and operation	28
2-17	Collective knowledge of the highest governance body	2.2.2 Board composition and operation	29
2-18	Evaluation of the performance of the highest governance body	2.2.2 Board composition and operation	30
2-19	Remuneration policies	2.2.2 Board composition and operation	28
2-20	Process to determine the remuneration	2.2.2 Board composition and operation	28
2-21	Annual total compensation ratio	2.2.2 Board composition and operation	28
Strategy, policies, and practices			
2-22	Statement on sustainable development strategy	Message from the Chairman 1.1.1 Sustainability prospects and strategy	04 07
2-23	Policy commitments	1.1.1 Sustainability prospects and strategy 3.2.1 Climate change 4.1 Talents attraction and retention	07 52 71
2-24	Embedding policy commitments	1.5 UN SDGs 3.2.1 Climate change 4.1 Talents attraction and retention	21 52 71
2-25	Processes to remediate negative impacts	2.2.3 Risk management and internal control	30 · 32
2-26	Mechanisms for seeking advice and raising concerns	1.3 Stakeholder engagement 2.2.3 Risk management and internal control	13 32
2-27	Compliance with laws and regulations	2.2.3 Risk management and internal control	33
2-28	Membership of associations	2.5 Customer services and product quality	42
Stakeholder engagement			
2-29	Approach to stakeholder engagement	1.3 Stakeholder engagement	13

2-30	Collective bargaining agreements	4.1 Talents attraction and retention	<u>73</u>	Kunshan Plant established its labor union in 2016; the remaining plants have not established any labor union
Management approaches				
3-1	Process to determine material topics	1.4.1 Identification of material topics	<u>16</u>	
3-2	List of material topics	1.4.1 Identification of material topics	<u>17</u>	
		1.4.2 Boundary of effects of material topics	<u>18</u>	
		1.4.3 Management approach to material topics	<u>19</u>	
3-3	1.4.2 Boundary of effects of material topics	1.4.3 Management approach to material topics	<u>24</u> 、 <u>34</u> 、 <u>36</u>	
			<u>40</u> 、 <u>43</u> 、 <u>46</u>	
			<u>52</u> 、 <u>62</u> 、 <u>65</u>	
			<u>78</u> 、 <u>83</u>	

Disclosure of special topics

Material Topic	Management approaches and disclosure items		Chapter	Page	Remarks	
Category: Governance						
Economic performance	GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	2.1 Economic performance	<u>24</u>	
		201-2	Financial implications and other risks and opportunities due to climate change	3.2.1 Climate change	<u>52</u>	Disclose partially
		201-3	Defined benefit plan obligation scope and other retirement plans	4.1 Talents attraction and retention	<u>76</u>	
		201-4	Financial assistance received from government	2.1 Economic performance	<u>25</u>	
Category: Environmental						
Raw material management	GRI 301: Materials 2016	301-1	Materials used by weight or volume	3.1.1 Raw material input and recycling	<u>46</u>	
		301-2	Recycled input materials used	3.1.1 Raw material input and recycling	<u>46</u>	
		301-3	Reclaimed products and their packaging materials	3.1.1 Raw material input and recycling	<u>47</u>	

Disclosure of special topics

Climate change and energy management	GRI 302: Energy 2016	302-1	Energy consumption within the organization.	3.2.2 Energy management	57	
		302-2	Energy consumption outside of the organization	Information on the external energy consumption of the organization is not available	-	Information is not available/incomplete
		302-3	Energy intensity	3.2.2 Energy management	57	
		302-4	Reduction of energy consumption	3.2.2 Energy management	55	
		302-5	Reductions in energy requirements of products and services	Products of the Company are electronic parts and components and have no direct relationship with the energy consumption status of products of downstream customers	-	Not applicable
Climate change and energy management	GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions.	3.2.3 GHG management	59	
		305-2	Energy indirect (Scope 2) GHG emissions.	3.2.3 GHG management	59	
		305-3	Other indirect (Scope 3) GHG emissions	Scope 3 inventory has not been performed	-	Information is not available/incomplete
		305-4	GHG emissions intensity	3.2.3 GHG management	59	
		305-5	Reduction of GHG emissions	3.2.3 GHG management	59	
Air pollution control	GRI 305: Emissions 2016	305-6	Emissions of ozone-depleting substances (ODS)	No discharge of substances that damage the ozone layer	-	Not applicable
		305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	3.3 Air pollution control and management	63	
Raw material management	GRI 306 Waste 2020	306-1	Waste generation and significant waste-related impacts	3.1.3 Waste reduction and recycling	49	
		306-2	Management of significant waste-related impacts	3.1.3 Waste reduction and recycling	49	
		306-3	Waste generated	3.1.3 Waste reduction and recycling	49	
		306-4	Waste diverted from disposal	3.1.3 Waste reduction and recycling	49	
		306-5	Waste directed to disposal	3.1.3 Waste reduction and recycling	49	
Sustainable management of supply chain	GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	2.4.2 Supply chain management	38	
		308-2	Negative environmental impacts in the supply chain and actions taken	-	-	Information is not available/incomplete

Category: Social

Talents attraction and retention	GRI 401: Employment 2016	401-1	New employee hires and employee turnover	4.1 Talents attraction and retention	<u>69</u> 、 <u>71</u>	
		401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	4.1 Talents attraction and retention	<u>73</u>	
		401-3	Parental leave	4.1 Talents attraction and retention	<u>76</u>	
	GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	2.2.2 Board composition and operation	<u>27</u>	
		405-2	Ratio of basic salary and remuneration of women to men	4.1 Talents attraction and retention	<u>72</u>	
Workplace safety and health	GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	4.3 Occupational safety and health	<u>83</u>	
		403-2	Hazard identification, risk assessment, and incident investigation	4.3 Occupational safety and health	<u>85</u>	
		403-3	Occupational health services	4.3 Occupational safety and health	<u>89</u>	
		403-4	Worker participation, consultation, and communication on occupational health and safety	4.3 Occupational safety and health	<u>86</u>	
		403-5	Worker training on occupational health and safety	4.3 Occupational safety and health	<u>87</u>	
		403-6	Promotion of worker health	4.3 Occupational safety and health	<u>89</u>	
		403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	4.3 Occupational safety and health	<u>86</u>	
		403-8	Workers covered by an occupational health and safety management system	4.3 Occupational safety and health	<u>83</u>	
		403-9	Work-related injuries	4.3 Occupational safety and health	<u>86</u>	
		403-10	Work-related ill health	4.3 Occupational safety and health	<u>86</u>	
Talent cultivation and development	GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	4.2 Talent cultivation and development	<u>78</u>	
		404-2	Programs for upgrading employee skills and transition assistance programs	4.2 Talent cultivation and development	<u>78</u>	
		404-3	Percentage of employees receiving regular performance and career development reviews	4.2 Talent cultivation and development	<u>83</u>	
Sustainable management of supply chain	GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	2.4.2 Supply chain management	<u>38</u>	
		414-2	Negative social impacts in the supply chain and actions taken	-	-	Information is not available/incomplete

Material topics set by the Company

Material Topic	Management approaches and disclosure items			Chapter	Page	Remarks
Innovative R&D	ACME 201: Innovative R&D 2022	ACME 201-1	Product and innovative R&D	2.3 Product and innovative R&D	34	
Product quality	ACME 202: Product Quality 2022	ACME 202-1	Quality control of products produced	2.5 Customer services and product quality	40	
Customer relation management	ACME 203: Customer Relation Manage 2022	ACME 203-1	Customer relation management	2.5 Customer services and product quality	40	

5.2 SASB

SASB

Subject	Measuring indicator	Unit	No.	Performance in 2022
Energy management	(1) Total energy consumed, (2) percentage grid electricity, (3) percentage renewable	(1) GJ (2) % (3) %	RT-EE-130a.1	3.2.2 Energy management (1) 421,417 GJ (2) 78% (3) 0%
Hazardous waste management	Amount of hazardous waste generated, percentage recycled	Metric tons (t), Percentage (%)	RT-EE-150a.1	3.1.3 Waste reduction and recycling 62.1 tons, 92%
	Number and aggregate quantity of reportable spills, quantity recovered	Number, Kilograms (kg)	RT-EE-150a.2	No waste leakage
Product safety	Number of recalls issued, total units recalled	Number	RT-EE-250a.1	No product recall
	Total amount of monetary losses as a result of legal proceedings associated with product safety	Reporting currency	RT-EE-250a.2	No litigation related to product safety

Product life cycle management	Percentage of products by revenue that contain IEC 62474 declarable substances	Percentage (%) by revenue	RT-EE-410a.1	The Company has established environment-related substance policies and management approaches based on IEC 62474
	Percentage of eligible products, by revenue, that meet ENERGY STAR® criteria	Percentage (%) by revenue	RT-EE-410a.2	Not applicable to the products of the Company
	Revenue from renewable energy-related and energy efficiency-related products	Reporting currency	RT-EE-410a.3	The Company's SiC products are products related to energy-saving; the operating Revenue of such products in 2022 accounted for approximately 5.7% of its consolidated operating Revenue
Source of raw materials	Description of the management of risks associated with the use of critical materials	n/a	RT-EE-440a.1	2.4.1 Procurement strategy
Business ethics	Description of policies and practices for prevention of: (1) corruption and bribery and (2) anti-competitive behavior	n/a	RT-EE-510a.1	2.2.3 Risk management and internal control
	Total amount of monetary losses as a result of legal proceedings associated with bribery or corruption	Reporting currency	RT-EE-510a.2	No relevant event and loss
	Total amount of monetary losses as a result of legal proceedings associated with anticompetitive behavior regulations	Reporting currency	RT-EE-510a.3	No relevant event and loss
Activity metrics	Number of units produced by product category	Number	RT-EE-000.A	11.2.1 Introduction to ACME 1,250 tons of ferrite powder 1,150 tons of ferrite cores
	Number of employees	Number	RT-EE-000.B	4.1 Talents attraction and retention 1,308 persons

5.3 External Verification Statement



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Independent Assurance Statement

ACME ELECTRONICS CORPORATION's 2022 ESG REPORT

AFNOR GROUP was established in 1926. We are the National Standardization Body of France, a permanent council member in ISO and one of the leading certification bodies in the world. This verification work was carried out by AFNOR ASIA LTD., a subsidiary of AFNOR GROUP. All the members of the verification team have professional backgrounds and have accepted AA1000 AS, AFAQ 26000, ISO 9001, ISO 14001, ISO 14064, ISO 45001, ISO 50001, and other sustainability-related international standard trainings. All assigned verifiers have been approved as the lead auditors or verifiers. AFNOR Group hereby provides a summary of ACME ELECTRONICS CORPORATION's Sustainability Report of 2022 (hereinafter referred to as "the Report") but was not involved in any way in its preparation.

AFNOR Group and ACME ELECTRONICS CORPORATION (hereinafter referred to as "ACME") are independent entities. AFNOR ASIA LTD., was commissioned by ACME to conduct the assessment and assure the Sustainability Report of 2022 was in accordance with AA1000 Assurance Standard (v3) and the Global Reporting Initiative Sustainability Reporting Standards (GRI Standards).

SCOPE

The disclosure scope of the Report covers the economic, environmental and social activities and operational performance of ACME's operating bases in Taiwan and overseas.

AFNOR Asia is responsible for:

1. According to the Type 1 of the AA1000 Assurance Standard (v3), evaluate ACME's compliance with the AA1000 Accountability Principle (2018). The reliability verification of the revealed sustainability performance information and data was not included. The verification scopes include sustainability issues, response mechanism, performance information, management systems of information, and the processes of materiality evaluation and stakeholder participation.
2. In accordance with the GRI Standards, we verified the statement options and material topics disclosed in the Report compiled by ACME.

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REFERENCES

The scope of the assurance includes an assessment of the source adequacy of specific performance information and an assessment of adherence to the following reporting criteria :

- AA1000 Accountability Principles (2018)
- GRI Standards

METHODOLOGY

- Review the process and management of the principles of inclusivity, materiality, responsiveness and impact described in the Report related to the AA1000 Accountability Principles (2018).
- The Report is reported in accordance with the GRI Standards, and the content of the Report is reviewed for general disclosures and specific topic disclosures that comply with the GRI Standards.
- Conduct interviews with the management team to confirm stakeholder communication and response mechanisms.
- The qualitative and quantitative information produced, collected, and disclosed by the Report was reviewed through a validated sampling plan.
- Interviews with members of the organization related to sustainable development management and report writing, including representatives of all levels and departments.
- The verification team inspected and reviewed the documents, materials and information related to the report by interviewing the responsible personnel of each group of ACME.
- Check the sufficiency and completeness of supporting materials and evidence for the content of the Report.

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CONCLUSION

◆ AA1000 Accountability Principles

Inclusivity

ACME has continued to implement a wide range of stakeholder engagement programs to identify and understand the important information generated by issues of concern to stakeholders. The report has fairly reported and disclosed economic, environmental and social information, which is sufficient to support appropriate plans and goals. Future reports may:

- sustaining corporate sustainable development strategies, effectively integrating internal and external resources, managing risks and opportunities, clearly setting program goals, and presenting sustainability-related performance that stakeholders are concerned about.
- continuously the existing mechanism for identifying stakeholders and materiality issues, collect and understand stakeholders' concerns, specific methods of participation, and reasonable expectations and interests.

Materiality

ACME has released relevant information on sustainable management to enable stakeholders to judge the company's management and performance, and develop and implement a decision-making mechanism for material issues to accommodate issues from all parties. Future reports may:

- expand the number of questionnaires and returns of stakeholders, continue to collect and disclose significant sustainable development information, and fully disclose significant sustainable development information.
- continuously the identification mechanism of positive and negative impacts, materiality considerations and related impacts, strengthen the risk and opportunity management and control of materiality issues, and implement them into the operating procedures of each department.

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Responsiveness

ACME has developed and implemented a stakeholder response mechanism and the comparison of SDGs, clearly declaring relevant policies and communicating with stakeholders, and responding to expectations and opinions from stakeholders. Future reports may:

- continuously the response and communication mechanism of various departments and stakeholders, strengthen the depth and breadth of disclosed data and increase their comparability.
- continue to compile the responses of stakeholders to this report as a reference for future refinement.

Impact

ACME has developed and implemented a process for understanding, measuring, evaluating and managing the impact of the organization, and provided the necessary capabilities and resources, and committed to making a comprehensive and balanced disclosure of the measurement and evaluation of the organization's impact on stakeholders and itself. Future reports may:

- continuously the risk and opportunity monitoring and measurement mechanism of various major sustainable actions and related impacts, and implement them into the operating procedures of various departments.

◆ Global Reporting Initiative Sustainability Reporting Standards

Based on the results of the review, we confirm that the Report complies with GRI reporting requirements in terms of general disclosure items and specific topic disclosures, including material topic management and disclosure items. Future reports may:

- continuously collect and disclose performance information that can be extended to other regions or operating bases in the future, and strengthen the depth and breadth of disclosed information, strengthen the content of management policy disclosure, and more completely present the context of sustainability and related sustainability performance.
- continuously collect major issues, risks and opportunities, strengthen management and control, practice results, and gradually implement various operations and management actions of subsidiaries in various operating bases, so as to expand the influence of enterprises on sustainable management.

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ASSURANCE OPINION

In our opinion, the information and data presented in the Report by ACME provides a fair and balanced representation. We believe the focuses on economic, environmental, and social aspects of ACME in 2022 are well represented.

Afnor Group has developed a set of process for the Assurance of Sustainability Reports based on current practice guidance provided in the AA1000 Assurance Standard (v3) and GRI Standards. We believe that the evidence collected by onsite assessment has exhibited that ACME did follow the guidance of AA1000 Assurance Standard (v3) and GRI Standards, and their self-declaration in response to the Global Reporting Initiative.

ASSURANCE LEVEL

In accordance with the AA1000 Assurance Standard (v3), we verified this assurance statement corresponding to a moderate level. The scope and methods are as described in this statement.

LIABILITY

This assurance statement is intended for the use of ACME ELECTRONICS CORPORATION only. AFNOR is not responsible for any other uses. Our responsibility is only based on the scope and methodology described, and to provide stakeholders an independent assurance statement.

For and on behalf of AFNOR :

Trevor Wilmer
The Director for Certification and Assessment
Jun.29.2023



AA1000
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000-84/V3-TDIUW

AFNOR Asia Ltd.—20F-2, No. 102, Chung Ping Rd., Taoyuan, Taiwan
Tel. : +886 3 2200066, Fax : +886 3 2207889, <http://www.asia.afnor.org>



5.4 Sustainability Disclosure Indicators – Electronic components industry

No.	Indicator	Indicator category	Disclosure in 2022	Unit	Corresponding chapter and page
1	Total energy consumed, the ratio of purchased power, and the ratio of the use of renewable energy	Quantitative	(1) 421,417 GJ (2) 78% (3) 0%	GJ and %	3.2.2 Energy management 55
2	Total water withdrawal and total water consumption	Quantitative	322,800	m ³	3.1.2 Energy management 47
3	Weight of hazardous waste generated and recycled ratio	Quantitative	62.1 tons 92%	tons, %	3.1.3 Waste reduction and recycling 49
4	Describe the category of occupational disaster, number of persons, and ratio	Quantitative	In 2022, two occupational diseases occurred in Kunshan Plant, and both cases were employees of the processing workshop with hearing damages arising from the noise of the processing equipment, accounting for 0.2% of employees.	Person, %	4.3 Occupational safety and health 83
5	Disclosures related to product life cycle management: Include the weight of scrapped products and electronic wastes and the recycled ratio	Quantitative	Not applicable to the products of the Company	tons, %	Not applicable to the products of the Company -
6	Describe risk management related to the use of key materials	Qualitative description	Source dispersion: Have two or more suppliers for iron oxide, manganese oxide, and zinc oxide. Regional dispersion: The location of suppliers of the same raw material shall be in different countries. Procurement strategy: Regularly analyze market development and establish safety stock based on the location of suppliers, procedures, and other factors. Friendly exchange: Arrange technical exchanges and friendly visits with suppliers regularly and from time to time to reinforce the cooperating relationships between both parties.	Not applicable	2.4.1 Procurement strategy 37
7	Total money loss caused by litigation related to Non-competition Act	Quantitative	0	NTD	No relevant event and loss -
8	Production volume of major products by product category	Quantitative	13,800 tons of ferrite cores annually 15,000 tons of ferrite powder annually	Ton	1.2.1 Introduction to ACME 09

5.5 Implementation status of climate-related information

No.	Item	Implementation status																												
1	Describe the supervision and governance of the Board and management regarding climate-related risks and opportunities.	<ul style="list-style-type: none"> The Board is the highest organizational department for climate change management. The ESG Committee promotes plans for climate change and reports the performance each year, and reports the achievements to the Board. Convene business management meeting each month: Chaired by the Chairman, the meeting carries out promotion planning and reports achievements regarding material policies related to energy-saving and carbon dioxide reduction from time to time. 																												
2	Describe how the climate risks and opportunities identified affect corporate operations, strategies, and finance (short-term, mid-term, and long-term)	<p>The Company identified seven major risks and four major opportunities based on the possibility and impacts of climate-related risk and opportunity items and evaluated the occurrence timing of impacts and potential financial impacts, which is set out in the following table:</p> <table border="1"> <thead> <tr> <th>Type</th> <th>Relevant item</th> <th>Occurrence timing</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Physical risk</td> <td>Increase in sea level</td> <td>Long-term (> 5 years)</td> </tr> <tr> <td>Increase in average temperature</td> <td>Mid-term (3 to 5 years)</td> </tr> <tr> <td rowspan="5">Transformation risk</td> <td>Product stigmatization</td> <td>Mid-term (3 to 5 years)</td> </tr> <tr> <td>Increasing attention and negative feedback from stakeholders</td> <td>Mid-term (3 to 5 years)</td> </tr> <tr> <td>Raw material cost rises</td> <td>Short-term (< 3 years)</td> </tr> <tr> <td>Uncertain market information</td> <td>Short-term (< 3 years)</td> </tr> <tr> <td>Mandates on and regulation of existing products and services</td> <td>Short-term (< 3 years)</td> </tr> <tr> <td rowspan="4">Opportunities</td> <td>Participate in renewable energy projects and adopt energy-saving measures</td> <td>Mid-term (3 to 5 years)</td> </tr> <tr> <td>Reduce water consumption</td> <td>Short-term (< 3 years)</td> </tr> <tr> <td>R&D and innovation to develop new products and services</td> <td>Short-term (< 3 years)</td> </tr> <tr> <td>Use low-carbon energy</td> <td>Mid-term (3 to 5 years)</td> </tr> </tbody> </table>	Type	Relevant item	Occurrence timing	Physical risk	Increase in sea level	Long-term (> 5 years)	Increase in average temperature	Mid-term (3 to 5 years)	Transformation risk	Product stigmatization	Mid-term (3 to 5 years)	Increasing attention and negative feedback from stakeholders	Mid-term (3 to 5 years)	Raw material cost rises	Short-term (< 3 years)	Uncertain market information	Short-term (< 3 years)	Mandates on and regulation of existing products and services	Short-term (< 3 years)	Opportunities	Participate in renewable energy projects and adopt energy-saving measures	Mid-term (3 to 5 years)	Reduce water consumption	Short-term (< 3 years)	R&D and innovation to develop new products and services	Short-term (< 3 years)	Use low-carbon energy	Mid-term (3 to 5 years)
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The effects of extreme climate events and transformation actions on finance are evaluated as set out in the following table:

Type	Relevant item	Potential financial implication
Physical risk	Increase in sea level	Increase in operating cost, increase in capital expenditure and decrease in asset value
	Increase in average temperature	Increase in operating cost and increase in capital expenditure
Transformation risk	Product stigmatization	Increase in operating cost, decrease in asset value, and decrease in operating revenue
	Increasing attention and negative feedback from stakeholders	Increase in operating cost, decrease in asset value, and decrease in operating revenue
	Raw material cost rises	Increase in operating cost
	Uncertain market information	Increase in operating cost and increase in capital expenditure
	Mandates on and regulation of existing products and services	Increase in operating cost, increase in capital expenditure and decrease in asset value
Opportunities	Participate in renewable energy projects and adopt energy-saving measures	Decrease in operating cost, decrease in capital expenditures, and increase in operating revenue
	Reduce water consumption	Reduce operating cost
	R&D and innovation to develop new products and services	Increase in operating revenue
	Use low-carbon energy	Reduce operating cost

4	Describe the identification of climate risks, evaluation, and how the management procedures are incorporated into the risk management system	Adopt the TCFD structure to identify risks and opportunities and communicate with the responsible department every three years; the senior management shall confirm. Include into the risks management evaluation items of the Company. The President shall report to the Audit Committee and the Board regarding the risk control measures and management operations each year.
5	If scenario analysis is adopted to evaluate the resilience to climate change, the scenarios, parameters, assumptions, analyzing factors, and main financial effects shall be described	Scenario analysis has not been adopted to evaluate the resilience to climate change risks; it is planned to be introduced to evaluate the effects in two years.
6	If there is any transformation plan in response to the management of climate-related risks, describe the content of the plan and the indicators and targets used to identify and manage physical risks and transformation risks	Plans promoted include: Replace old equipment, install renewable energy equipment, optimize production schedules, and adopt building A/C planning, energy management system, and extreme climate emergency response plan; for the detail of relevant promotions, please refer to 3.2.1 Climate change of the report.

7	If internal carbon pricing is used as the planning tool, the pricing basis shall be described.	The Company has not used internal carbon pricing evaluation tools.
8	If there are climate-related targets set, activities covered, GHG emissions scope, planning schedule, and progress achieved each year shall be described. If carbon offset or RECs are used to achieve such targets, the source of carbon offset limit and quantity or the number of RECs shall be described.	2017 is set as the base year, and the target is to reduce carbon dioxide by 27% by 2030. Disclose the scope 1 and scope 2 emissions data in the sustainability report each year and regularly examine the target achieving status. The Company has not used carbon offset or RECs to achieve its reduction targets.
9	GHG inventory and assurance.	For the details of data on GHG inventory, please refer to 3.2.3 GHG management of the report.

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